

Interview with Marshall D. Brown

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MARSHALL D. BROWN

Interviewed by: W. Haven North

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Q: This is an interview with Marshall D. Brown December 1996. How long were you with AID?

BROWN: Thirty-one years. I retired in June of 1995.

Q: Let's start off by talking a little bit about your early life, your education and so on. And then go on from there.

Early years and education

BROWN: I was born and raised in Southern California. I went to Stanford and studied political science. I was interested in foreign affairs and went back and got a Master's in political science. I was interested in diplomacy and joining the foreign service.

Q: Why were you interested in diplomacy? Why were you studying international affairs?

BROWN: I'm not sure. My father was in the production side of movie industry and I worked in the industry as a teamster in the summer during college. I idolized my father, but I didn't think very highly of the film industry as a vocation. Many of the people seemed shallow

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and rather superficial. Moreover, like many recent college graduates, I was an idealist who wanted to change the world, at a minimum. Something far removed from Hollywood-foreign affairs-seemed more significant.

Q: Were there any particular teachers?

BROWN: No. When I was at Stanford looking around for a major, I took political science 101, and I liked the field. Later I had a good advisor, Martin Travis, who told me, "If you want to be an Ambassador, go out and make your fortune in business and get appointed as a political ambassador. You'll never get anywhere as a career person." I mulled over that advice, but eventually decided to take the career route. I didn't get to be an ambassador, however. As I said, I got the M.A. and then was faced with question of "now what?"

Q: Did you major in any particular subject : I mean special focus in your M.A. work?

Joined the Peace Corps in Peru - 1962

BROWN: Foreign Affairs and Communist Theory. I wrote my thesis on the Sino-Soviet Conflict in the Third World-a hot subject at the time. And with the Peace Corps having been created during my graduate year, and the glamour of the Kennedy Administration generally, I decided I would join the Peace Corps and see the third world.

Q: What year was this?

BROWN: That was 1962. I was in one of the early groups that went to Peru, and ended up working in an AID-sponsored home savings and loan development program. It was a fascinating experience. After those two years I decided that I wanted to work in economic development-improving people's lives and getting paid for it as well! At that point in my life, diplomacy seemed stuffy and remote by comparison.

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Q: But you were working with the design of loan projects? Or were you in the mission?

BROWN: No. I actually went down to Peru as part of a community development group. However, when I got there and was supposed to go into action as a “community developer,” I kind of came to a halt. I said to myself, “Gee, I don't do this very well.” When I joined the Peace Corps I had been idealistic and a little naive, and I thought I was a “doer”, but it turned out I was a “thinker” instead. I floundered around for several months, trying to resurrect a mismanaged credit union, and finally discovered there was an AID program just getting under way- a loan project to create a central mortgage bank and a series of mutual savings and loan associations. A volunteer from another group, a lawyer from Chicago named Bruce Patner, was already working in the program. He invited me to join him. He didn't have to ask twice. Building on my now-irrelevant expertise in foreign affairs and Communist theory, I read savings and loan manuals at night to stay one step ahead of the people I would be working with the next day.

Q: What was the loan program?

BROWN: Creating a nationwide home savings and loan system. After interning in one of the savings and loan associations, I was sent out to a secondary city to establish a new S&L. That entailed working with a preselected, local business leader to mobilize a board of directors, and to explain how one could mobilize savings from the public and then lend it out to people to finance lower middle income housing. There was no long term mortgage finance available in Peru in those years, except for the very wealthy, and that was very short term financing. So, in two different cities, Tacna in the south and Chiclayo in the north, I organized savings and loans and got them chartered. That involved legal incorporation, developing a budget and a business plan, renting and equipping an office, hiring and orienting staff, developing an advertising plan, and then opening up for business.

Q: There were a series of loan offices around the country? Or just one?

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BROWN: By the time I left Peru, there were probably 12 to 15 associations around the country, with three or four in Lima too.

Q: How did that work?

BROWN: It was very successful. It was a great example of early AID technology transfer—the long term mortgage lending and savings mobilization concepts. In the second city I worked in, Chiclayo, I think we had attracted over a million “soles” in a matter of months. I don't remember what the exchange rate was, but mobilizing a million of anything was pretty good, considering we were starting from scratch with a new concept. I wrote an investing plan and sent it to the National Housing Bank in Lima (our central bank and regulatory agency), and within a few weeks received a deposit for several million more soles. I was astounded at what a few well-chosen words had produced. We used this cash advance, or “seed capital”, to launch a large scale home financing program to show that we were for real. This attracted even more savings. One of the interesting things was that they fired the manager who had been hired in Chiclayo. He was a retired Peruvian Air Force Major. It turned out that he drank too much, and didn't like answering to the board of directors. So, they fired him. The president of the board, Arturo Pastor Boggiano, who was a marvelous person, and an ex-political radical turned businessman, said to me, “Well, you're here, and you're free, so we'll make you acting savings and loan manager.” So, unbeknownst to the image-obsessed Peace Corps Country Director, Frank Mankiewicz, I served as the acting savings and loan manager for the last six months of my tour. I developed our advertising campaign, negotiated a premium interest rate on our cash advance from Lima with a local bank, recommended to the board who qualified and who didn't for loans and made executive decisions. It was very satisfying, and a lot of fun. When I advised Frank Mankiewicz, the PC Country Director, of our success, he wrote me a letter saying, “Congratulations, you may have presided over the first marriage of commerce and social change in Peruvian history.” Since Frank was a Liberal's liberal, very anti-AID and highly skeptical of my involvement in this AID project, I regarded that as

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strong praise. Of course, I never told him about being the acting manager-or having lunch every day in the local businessmen's club. I think I got a certain perverse satisfaction out of skirting organizational rules.

Q: This was at the center?

BROWN: That was in Chiclayo, an agricultural center of 200,000 people in northern Peru.

Q: I see. How many members were there of the association?

BROWN: There were probably 500 savers, maybe 1,000 by the time I left. We were authorized by law to pay 1% more than the commercial banks, and that was a nice advantage. We exploited that in advertising, and attracted savings-savings which had been in the banks by the pure savers and savings which had been in mattresses by lower income people who looked forward someday to getting a home loan. When I was about to leave, Arturo Pastor asked me, "Why don't you stay on and we'll pay you to be our permanent manager". But I said, "No, I think I'll go back and try something else." I've always wondered if I didn't make a mistake. I might have ended up as a S&L mogul back in the U.S.!

Q: What size loans were they talking about here?

BROWN: Lower middle income housing was the bulk of the lending; that was for housing up to the sole equivalent of a \$4,000 maximum. We also had home improvement loans for lower income people who didn't have title to their homes, or huts in some cases,. These loans ranged from \$100 to \$1,000 equivalent in local currency. I devoted a lot of effort to getting this level of lending going. The board was much more skeptical; I think they agreed largely because they respected me rather than thought such unsecured lending was a good idea.

Q: Did you have a problem with default?

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BROWN: No. The borrowers took their repayment obligations seriously, and they didn't want to risk losing their homes.

Q: How were you able to judge who should be a reliable borrower?

BROWN: The larger loans were secured by mortgages, and the borrowers had to have a certain income level and steady employment. They had to be able to repay their loan with no more than 25% of their monthly income, over 20 years at 12% interest. The home improvement loans were really character loans. We sometimes looked for guarantees by employers, other times guarantees by other parties. And sometimes, just the person himself...his reputation.

Q: So, it really grew rapidly. It was in big demand.

BROWN: There was strong demand. And it became a real success story. That's why I really got excited about work for AID, seeing the impact one could have leveraging money and introducing new financial concepts.

Q: And this was initially capitalized by AID?

BROWN: There was an AID loan of \$7.5 million dollars to the newly created Peruvian home loan bank, the National Housing Bank.. The Peruvian government put up a matching amount in local currency. So, they had \$15 million dollars to put in as seed capital in these various associations to get construction up and going and show results while these systems were trying to mobilize savings for the long term support of the system. The Peruvian system actually was a lot better than the system in Chile, which was a "contract savings" system where every saver also had a claim to a loan. And, of course, that doesn't work because by definition you have more housing demand than savings supply. You obviously have to have more savers than you have borrowers for the system to work. The initial Chilean system eventually failed because it was not based on attracting savings.

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Q: But you found people were willing to put their savings into this operation?

BROWN: Well, they liked the interest rate premium we were paying, which was better than they could get in the commercial banks. Plus we advertised that their savings were protected by the equivalent of our Federal Home Loan Bank, the National Housing Bank of Peru.

Q: Well, that's an interesting beginning. So, then that was all that you did with the Peace Corps at that point. What happened after that?

Worked with the Foundation for Cooperative Housing - 1964

BROWN: I came back to Washington in 1964 and I got a job with the Foundation for Cooperative Housing. They had an AID contract to do cooperative housing development in Latin America. I worked with them in their Washington office, and for a year and a half traveled to various Latin American countries making new project proposals to AID and reviewing programs that were under way. I finally got tired of chasing new contracts. It seemed like there was never any substantive work, just writing proposals all the time to get more AID business.

Q: How did you find the foundation as an organization, a concept and a program?

BROWN: There were very well meaning people from the U.S. cooperative movement. They had a long and successful history in this country, and I was in their new Latin America operation. They had a mix of people who had experience in Latin America and spoke Spanish and people who had experience in the cooperative housing movement in the United States. We would make proposals to AID missions in various countries, and if the mission liked the proposals, we would get task orders. Sometimes our projects worked, and sometimes not. It was interesting.

Q: What is cooperative housing? What is distinctive about that concept?

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BROWN: Well, in essence, it is condominium living without individual property titles. You get people together, usually for a high-rise building or cluster apartment living. The idea is to educate the people on the need to be good neighbors, the need to take care of their property and to maintain the common grounds they share with their fellow residents, and you have one single mortgage for the entire property. And in the U.S. that reduces the loan processing and closing costs and has certain tax advantages. However, there wasn't that much advantage in Latin America. The people were willing to join housing cooperatives to get housing, but they wanted their individual titles down there. This was a major cultural impediment.

Q: But the concept was not successful?

BROWN: Not really. Not as it was done in the country. Here it was based largely on some legal gimmicks that gave you tax savings compared to a condominium form of ownership. So, without those kinds of savings, most of the Latins didn't see any advantage on having one blanket mortgage on the whole property versus the tangible benefit of having title to your home or individual unit. So, while we got a lot of housing built, the single mortgage cooperative concept never really took hold.

Q: You worked on that for about a year and a half. And then what?

Joined USAID/Brazil - 1965

BROWN: Then I had the good fortune to go to a dinner party and meet Stuart Van Dyke who was in the AID director in Brazil. I guess I said something sensible to him because the next thing I knew he was offering me a job in the mission in Brazil. So I joined AID.

Q: What year was this?

BROWN: It was 1965. I went to Brazil, learned Portuguese and spent my first year as a assistant program officer, working for a State Department officer on detail to AID, named

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Samuel Lewis. That was a marvelous introduction to government; I could not have had a better role model than Sam Lewis. He was politically astute, highly energetic, brilliant, articulate, and highly respected and well liked by everyone. I only worked for him for a year before State prematurely pulled him back to work as special assistant to our Ambassador to Brazil, Lincoln Gordon. I learned an enormous amount in that brief period about how to succeed in the foreign affairs bureaucracy. I would note that Sam capped his highly distinguished career as the longest serving U.S. Ambassador to Israel, during which time the Camp David Peace Accord was signed.

Q: He was a regular foreign service officer.

BROWN: Yes. He was a regular foreign service officer who had been selected for a tour with AID. Unfortunately for AID, because Sam was so talented, Ambassador Gordon managed to get him recalled to State before he had completed his assignment with AID.

Q: Did you get any orientation to AID or you just came in and went out?

BROWN: Very little. As I recall, there was two weeks of general orientation, but I didn't get the program documentation course. So there I was, a newly hired assistant program officer who didn't know the first thing about program documentation, which was very big in those days. And never being entirely comfortable with my new profession, once Sam left I ended up changing jobs within the mission. I joined the capital development office.

Q: So, you just had one year in Brazil in the program office?

BROWN: Yes. And then moved over to the capital development office where I spent the last four of my five years in Brazil..

Q: What was the program in Brazil at that time that you were working on?

BROWN: Well, before Vietnam came along it was AID's largest overseas program. As I recall, something like \$200 million per year, including Food for Peace. There had been

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an anticommunist coup in 1964 and the new government was very pro-U.S. In turn, the U.S. pulled out the stops in support of the new government. Lincoln Gordon was the ambassador. He was an excellent ambassador. Not perfect, of course. He had the unfortunate tendency to gratuitously second guess Stuart Van Dyke, our director. But it was a very exciting time to be in Brazil. We had lots of money, and we were working in all the then-known development sectors, and we were doing very exciting, cutting edge things. I had the opportunity to conceptualize and develop the agency's first sector program, for a health sector loan in 1967. In 1968, I developed an even bigger education sector loan program.

Q: Was there any particular development philosophy or strategy that AID was following or the mission was trying to follow at that time?

BROWN: Well we were working within the framework of the Alliance for Progress, which as I recall was concerned with the increasing economic growth and economic reform and promoting democracy. We also had lots of money. I don't think the mission really had to make hard choices between projects; in a sense, we did all the sensible proposals and sorted out the losers later. I suppose the mission philosophy was to respond to any opportunity where we thought we could be successful. We had major commitments in agriculture, roads, power, water and sewage, health and education and university development, municipal development, public administration, economic planning, tax collection, feasibility studies and housing. We were not in family planning, not until many years later. I even developed a loan to strengthen the Brazilian Census and Statistical Institute, intended to improve their capacity to conduct the 1970 census and to carry out sample surveys. Unfortunately it was a good idea whose time had not yet arrived. The leadership of the Institute was very timid, not really up to the job of managing and directing the program. This project was only marginally successful. The program overall had both a very large technical assistance component and a large loan-funded capital development element. There was also a large program loan for economic stabilization.

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Q: Did you have a general commodity import program ?

BROWN: Yes, there was a large commodity import program as well. And that's really how the sector loan program came into being. You had all this money for Brazil but they weren't meeting all their disbursement related, macroeconomic conditions, and yet we wanted to keep assisting them. So somebody, I believe it was Jerry Levinson, the director of the capital development office in the LA Bureau, conceived the idea of a sector loan where you'd set your conditions related to performance within a sector, and if they met these conditions, you could release the funds and still have the desired balance of payments impacts but wouldn't get caught up with IMF macro-conditions. And so we moved from the commodity import program and stabilization lending to sector lending. (Years later I learned from the IMF that the coordination of IMF and U.S. bilateral economic conditionality was pioneered in Brazil, Chile and Argentina during this period (the 1960s).) The sector loan concept also was in response to the new emphasis that came out of the White House (President Johnson's) to allocate much larger amounts of assistance to the "social sectors".

Q: I see. And you did the first sector loan for health. What was the sector program in health? What did it cover?

BROWN: Well, it was an interesting experience. The chief of our health office was an old-line technical assistance believer. He was overseeing what he thought was a very good technical assistance program, and he didn't see the need for a sector program, conditioned disbursements or a new sector analysis. So, I ended up developing the sector analysis, drawing heavily on several recent studies done by the AID-assisted economic planning group in the Ministry of Planning, plus a contracted study to identify key health problems. Based on that analysis, I developed a strategy for attacking key problems-and for spending the \$15 or so million we were asking for. Lack of potable water and sewage disposal were major problems. This in turn was the cause of the major health problem-waterborne diseases and high child mortality. Interesting, the solution to the cause of

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the underlying problem required both political reform and a new infrastructure finance approach.

We developed a program of water and sewerage loans for middle sized cities and created a national sanitation loan fund to carry it out. The national government also made a financial contribution, and the participating cities had to pay a share of the costs and repay the loan. This was a new approach in Brazil; they had always been working on a grant basis from a dozen different agencies. It was a real pork barrel. Influenced by politicians in both the executive and legislative at both the state and federal level, these agencies would give grants to build parts of a system, a few kilometers of pipeline, an intake, etc., and the political sponsors would inaugurate them at the appropriate time. The problem was that the cities couldn't get enough money to build a complete system. We negotiated a change in that approach. We told them to reallocate the money that went to these various agencies and consolidate it in the national sanitation fund. Second, we told them to finance only cities which were willing to conduct a feasibility study of the cost of building an entire system, that is, intake, treatment and distribution, and to charge rates sufficient to repay the loan and maintain the system. This was a radical change in thinking, and a big stumbling block at first, because the Brazilians said in effect, "Hey, this stuff always came free. You don't have to pay for water." Aided by the attractiveness of the \$15 million and supported by Minister of Finance, we finally got them to agree. I would note parenthetically that this would not have been possible had we not been dealing with a reform-minded military government, which had overthrown the far left government of President Goulart three year earlier. Eventually this program became an enormous success.

Q: How many municipalities were you working in? It is a big country, so...

BROWN: That I can't recall. We probably started with a half dozen cities. Interestingly, the wealthier cities in the south were much more receptive to the approach than the poorer cities in the north and northeast, who seemed to believe that they had a right to a "free lunch." A key player in the marketing and implementation of the program was a Brazilian

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NGO called IBAM, the Brazilian Institute for Municipal Administration. They were working with many municipalities, were widely respected and were highly effective in explaining why this new self-help approach was in the cities' best interest. By the time I left Brazil, three years later, there were several hundred cities involved in this. We developed a second loan for the fund, the government increased its contribution as well..

Q: What was the size of the sector loan program?

BROWN: Our initial loan was \$15.4 million dollars, \$400 thousand for technical assistance. I believe our second loan was \$25 million. The program really worked very, very well.

Q: Why did it work well?

BROWN: Because it was addressing a crying local need, for safe water and adequate sewage disposal, throughout Brazil. It was both a political priority and a health priority.

Q: They hadn't had anything like this before?

BROWN: No. They had always dealt with the problem on a pork barrel, grant basis, but there was never enough money on a grant basis and nobody had a complete system. All you had were pieces of systems. The politician would say, "I got you this many kilometers of pipeline or I got you a little water spigot (which doesn't work most of the time)." And it was all, "Just get me elected and I'll get you a few more kilometers." That was their mentality. We introduced a new approach which said to the mayors in effect, "Analyze your problem, see what it will cost to construct a complete system, how much you will have to repay, how high the rates have to be to maintain the system. Then explain to the people that they are going to have to pay to get the water system they want." Those mayors who were willing got loans. Interestingly, it worked best in the smaller-and wealthier-cities. We worked from the bottom up, starting with the smaller cities where we had agreement to the financial soundness approach. And because politics in the bigger cities were more resistant to political reform, they held out and they were the last ones to come on board.

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And indeed, cities like Rio and San Paulo had to be financed by the World Bank and IDB. They were far too big for our fund. We could be most effective in the medium sized and smaller cities. Ironically, I doubt if we could have developed this program had we been burdened with the ideological baggage of the "New Directions". If we had been required to focus on the poorer cities of the north, I do not believe they would ever have agreed to the self-help reforms. Or if we had been required to assure that x% of the poor neighborhoods were covered by the initial system, and that they charge higher rates to cover the cross subsidy for the poor households, I have doubts the cities would have been willing to undertake the new approach. I do not believe that the prospects for achieving institutional reform abroad are enhanced by imposing ideological blinders on the negotiators.

Q: Were there institutional issues? Did you have to give a lot of attention to the institutional concerns of the management of these systems?

BROWN: That was critical. And that was the key role that IBAM would play. We required a feasibility study, which again was a new concept for the Brazilians. A study, before the project was approved, of how much would it cost, how many people would you cover, what would the rates have to be to sustain this system based on adequate maintenance as well as repaying the loan. And then you have to train a staff to operate and maintain your utility.

Q: But you were able to get people to pay for the water and sewage and repay the loan and all that?

BROWN: Yes, as I said we started in the wealthier south, where there was a higher education level and better municipal administration generally. They were the pioneers, and eventually the new financing approach was extended throughout the country. Once the poorer cities realized that the free lunch was no longer available, they bought into the concept. I believe both the IDB and IBRD eventually channeled their water and sewerage financing through the nation sanitation fund.

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Q: And you also said that you worked on an education sector loan. What were the characteristics of that?

BROWN: We developed a program of secondary education reform which attacked the qualitative and quantitative deficiencies in the existing system. This was financed with a \$32 million education sector loan. A key feature was the introduction of a practical, work-related curriculum at the secondary education level. The Brazilians had a rote system of memorization and classical studies. And we had three education planning teams that had gone into Brazil after the 1964 revolution to work with Brazilian counterparts at the primary, secondary and higher education levels. The education sector program was an outgrowth of work with the secondary education group. The higher education team effort exploded into a political problem. The team was accused of interfering with Brazilian educational development and they were eventually asked to leave of the country. The leftist students at the universities were still quite powerful.. At the secondary level, however, we were very successful. The team had very good acceptance by their Brazilian counterparts. They believed in the concept of creating practical curriculums with vocational education tracts as well as the academic options.

I designed the project approach or operating mechanism along the lines of the national sanitation fund-a national fund which would provide financing for secondary education reform for states which were willing to undertake the reform commitments and met the eligibility criteria. And so, we were again working on a national fund approach, but one offering grants rather than loans.

Q: What kind of commitments were you talking about roughly?

BROWN: They involved the existence of full-time secondary school planning team in the state, satisfactory multi-year plans focused on the expansion of the new work-oriented secondary schools. They also involved implementation of those plans, increasing educational expenditures at the state level, curriculum reform, teacher training, better

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teacher salaries and proper school maintenance. In essence, quality improvements in education and administration and increased access. We had four states out of seven which had expressed interest which ultimately were willing to undertake the reforms. So, the loan was put together on the basis of that package, taken to Washington and approved. There were also policy and financial reforms required of the ministry of education. Based on the existing state plans we were able to get the program underway in those four states quickly. We developed a follow-on loan the next year, adding another four or five states to the program. I think Brazil has 20 states or so, so there were maybe ten that got into the program. And they were the ones in the forefront of change in the system. Eventually the whole country shifted over. But we got the program going based on states willing to make the financial and program reforms. Once again, I suspect that if we had proposed this approach during the Basic Human Needs era, it would never have been approved because it wasn't focused on poverty. It was focused on whichever state governor was prepared to accept the conditions and pursue this reform agenda, never mind whether his state was a high income state in the south. If we had been required to restrict it only to poor states in the north I doubt the reform program would ever have got off the ground. But that's just an aside.

Q: Where were the people, the wealthier states by and large?

BROWN: The wealthier states were in the south. One of them was in the program. One was in the north and the two others were in the center of the country. So we actually had a good geographical mix of states.

Q: The money mostly went for school construction?

BROWN: The bulk of the funds went for school construction, plus equipment, materials and teacher training. We had excellent Brazilian leadership at the secondary education level. The leader of the Brazilian counterpart team was a fellow named Peri Porto; he emerged as the leader and manager of this whole program. He was a very bright and

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capable guy. He made sure it worked within the Education Ministry. Of course we had negotiated the program with the Ministries of Finance and Planning as well because they wanted the financial resources. More than once they had to get involved to assure compliance on the policy front and remind the states that they had to comply because the government needed those financial resources for the treasury. It was a great help having the leverage of the Planning and Finance Ministries to call on from time to time.

Q: Were there problems with this federal/state structure relationship?

BROWN: Yes, but not fatal ones. The country was highly politicized, but it was the politics of the individual more than the national party. The parties were more like associations of regional fiefdoms. Every state had its governor and its politicians, and they tended to be out for their own narrow interests. You needed the federal government to step in when they started to depart from the agreed course of action and bring them back in line. It didn't hurt that the President was a general in the Army.

I just thought of one interesting anecdote that had to do with reform process for the education sector loan. We were in the process of trying to negotiate the conditionality of the loan with the government, and the Mission Director, Bill Ellis, called a meeting of the project committee to discuss his recent meeting with the Minister of Education, Tarso Dutra. We met in the Director's office. The Minister was a former governor of the state of Rio Grande do Sul and a deputy in the congress. He was also a very wily politician who didn't want any reform really. He just wanted the money to build schools to name after him. So he had been lobbying our director to reduce some of the financial contribution requirement and other reforms. Our project committee was not impressed with what the Director was telling us. Finally, at one point Bill said, "Look, put yourself in Tarso Dutra's shoes." And I made the mistake of immediately jumping in and saying "But our job is not to put ourselves in Dutra's shoes; our job is to advocate education reform", not realizing that with my helpful clarification I had just told our Director that he didn't know what his job was. Bill threw a book down on the coffee table looked daggers at me and said, "You-get out of

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here!" I left, followed shortly by the other members of the committee. Well, I became a kind of folk hero of the reform group within the mission because I had said what needed to be said-carried away with my enthusiasm for our agreed reform agenda. Eventually Bill came around to our approach, and bought the reform package we were proposing. Whatever it was that Tarso Dutra had wanted, Bill told him we couldn't accept it. Being tossed out of the director's office made a lasting impression on me, and at that moment I was wondering where my career went from there.

Q: Because this was Bill Ellis, director of the mission!

BROWN: Yes. Bill Ellis came out of OMB and the program side of AID, favored technical assistance and technicians and didn't have much use for capital development officers. And despite his reputation of being one of AID's "best and brightest, he seemed to prefer developing good personal relations with the Brazilian to pushing policy reform. So I was worried for a while about my future. My clarifying comment, though well-intended, was presumptuous. Bill found it insulting, as I'm sure I would have too, if one of my young, hot shot staff had done that to me- telling me what my job was.

Q: That sounds familiar. Were there other sectors you worked on?

BROWN: I developed the loan I mentioned earlier for IBGE, the census and statistical organization. And I worked on the implementation projects loans that were already underway. A housing project in Sao Paulo and loans financing technical assistance in planning, system design and management for the water and sewer companies of the city-state of Guanabara, where Rio is located. And they were successful projects, due to good local leadership. The IBGE project was not so successful.

Q: What was it about?

BROWN: It was giving them the capacity to do the 1970 census and to conduct periodic sample survey. But IBGE had a very cautious, timid director. We in effect had to sell him

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on the project. I recall going over to his office with my boss, Lou Perez. The project paper was all prepared, ready to go to Washington. After an hour of our persuasion he signed the loan application., but he clearly had second thoughts about undertaking the project.

Q: But it was more our idea than his?

BROWN: Well, we had an excellent technical assistance team that designed the project. The senior IBGE staff supported the proposal, but they lacked executive leadership at the top to make timely decision and tough decisions. In a sense, the project was also beyond his technological grasp. We provided him a new IBM 360, which was the top of the line computer at the time, technical assistance and training in designing and conducting sample survey and in conducting and processing the census. But he was a guy who was afraid to make decisions, and the project did not achieve its objectives, due basically to the lack of host country capacity really. We sold them a very good bill of goods.

I remember Jack Heller, who was one of our excellent legal advisors, identifying the fatal flaw in the project in our internal mission review meeting on the proposal. Jack was a very clever guy and he always had a clever remark to make. In this case, he said something to the effect that, "This project is designed like a Cadillac when we should be providing a Chevrolet." I took great umbrage at that but he was absolutely right. It was too advanced, had too many state of the art bells and whistles for them. We would have had better results with a much simpler project. IBGE was my first project, and I learned a lesson from it, which was, that the best laid plans will not work if you do not have the necessary host country capacity and commitment

Q: Well, you mentioned that there were some other areas as well that you worked on, program areas.

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BROWN: Well, there was housing, the two water and sewerage loans for the city of Rio, the Health Sector Loan and the two Education Sector Loans, the second of which was for \$50 million.

Q: Were you the one responsible for their implementation? Or was that taken on by others?

BROWN: We had a project committee system, and during implementation primary project responsibility passed to the technical office. The committee typically consisted of the technical officer, an engineer, lawyer, controller, and the capital development officer. We had a full service mission. During the project development phase, the capital development officer would be the chairman of the group. Once the borrower had satisfied the conditions preceding the first disbursement then the technical officer would take over the chairmanship of the group, and he or she would manage the implementation with the help of the other members. My specialty was conceiving, conceptualizing and devising project and program models or mechanisms. I was happy to leave implementation of someone else. I found the project design process to be more intellectually challenging, more fun. However, over the years I learned that the real satisfaction comes from seeing successful implementation.

Q: Well, how did you find working with the Brazilians?

BROWN: It was my first experience in an AID context, but I found them to be capable, likable people. They were also good negotiators. Of course, those were the days when we thought government was a good thing; more was better! And so we were trying to build up their government. They had a very good group of career people in finance and planning ministries. I enjoyed working with them. It was obviously a wonderful country to live in.

Q. What happened to the program in Brazil ? In fact, my career was downhill thereafter! After starting your career in Rio, where do you do for an encore? We were a very big mission, with a big staff. Following the 1964 "revolution" when U.S. policy was to give top

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priority to assuring political stability and economic growth in Brazil, the Embassy had no problem with the AID staff build up. Indeed, they encouraged it. However, five years and two ambassadors later, and with Brazil no longer a crisis case, then-Ambassador John Tuthill decided that AID was just too big. At that point, an unfortunate worldwide airgram came out on the subject of “bats, rats and noxious birds.” He used that airgram as proof that AID was too big and getting into too many areas-creating too great of an American “presence.” He made a name for himself within State for having launched “Operation Topsy,” the reduction of AID field missions. Q: That was the famous one.

BROWN: That was the beginning of State going after the size of AID missions abroad. It started in Brazil about 1968 or 69.

Q: What political context? Was there any sort of State Department pressures in your earlier times to do things or not do things?

BROWN: Not really, other than keeping up the flow of balance of payment assistance so as to support the Government's political stability and economic growth. There was a debate on macroeconomic issues, but no micro-management. I would characterize the late '60s as the “golden era” of AID: we had ample resources, no congressional earmarks or micro-management, State tended to set the policy framework and let AID carry out its program within that framework, rather than trying to tell you what to do. And we could respond to pressing development priorities within the host country-rather than trying to address a prescribed congressional agenda. In my view, it really was a marvelous time to be working for AID.

Q: But then, was it during your time there that you began to see the change in terms of cutting back and so on?

BROWN: Yes. I was on home leave in late 1968. Tuthill's argument had found support in Washington. AID was required to look at each person returning to post and to certify that

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they were “essential” to the mission before they could return. Fortunately, I was found to be essential.

Q: And were there major cuts in the mission then?

BROWN: We took a cut at the margin, but it was not noticeable. What was significant is that was the origin of what has become one of the State Department's principal peacetime pastimes, namely, reducing the size of overseas missions-and particularly the AID component.

Q: Were there any particular issues in Brazil that reflected this concern? Were there any problems of having that many Americans and so on?

BROWN: Not that I can recall. I believe it was more was just Tuthill's seeing an opportunity to advance his own career, combined with his disinterest if not disdain for what AID was trying to do. In addition, he was not well liked by the Brazilians. When Lincoln Gordon was Ambassador AID enjoyed strong support-conceptually and politically. The U.S. was supporting a new government that had thrown out the Communists in 1964. AID was a priority element of that strategy. That was in 1964. By 1968, the government had consolidated itself in power and had gained economic stability. The U.S.-Brazil relationship had cooled quite a bit. There was a change of Presidents from General Castelo Branco, who was very pro-American, to General Costa e Silva, a less talented leader with a group of much more nationalistic advisers. And we had a different ambassador. Relations were less cordial. State was now much less concerned about maintaining a high level of AID assistance to Brazil.

I do not know if the initiative came originally from Washington or the Embassy, but began to focus on AID staffing level-a strategic national security concern that the State Department seems to become obsessed with as soon as its most recent crisis has passed. Urged on by Ambassador Tuthill, they decided it was time to cut the AID mission. There really wasn't a U.S. “presence” problem; the Ambassador simply decreed that was such

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a problem. Yes, we had quite a number of Americans in country, and we had hundreds of contractors-but Brazil was an enormous country of some 90 million. Rio was a sprawling metropolis with million of inhabitants. You never saw the Americans. The Embassy never seemed to see them between 1964 and about 1967. But once the priority for Brazil had diminished somewhat, the Embassy became obsessed with the U.S. "presence" question. Often this is largely a petty bureaucratic preoccupation. I have seen it in country and after country. It seems to be what State/Embassies instinctively revert to when they don't have any real work to do, or any White House policy directives telling them what they should be doing..

Q: Were there any major issues or events during your time there?

BROWN: There was one. It was the enactment of "Institutional Act Number Five". I have forgotten the year; it was probably 1967. That's where the government cracked down on their dissidents and scheming politicians and "cancelled" (there really is no good English translation of Portuguese word) the political rights of a lot of the politicians and were left leaning and corrupt. The Act in effect said, "You can never run for office again; you are a non-entity politically." They barred the "cassados" from any future political activity.

The U.S. reacted and suspended our assistance program. They put it "under review." I remember it was ironic because the day of the suspension I was supposed to deliver the draft health sector loan agreement to my counterpart in the ministry of finance. By chance, I ran into him that morning coming out of my apartment building. He is driving by; he stops and waves, and I tell him "I'll have the draft agreement to you today." "Good," he replies. Then I arrive at the office and discover we have suspended the program, and I can't deliver it to him as I promised. But more than that, State has decided that we can't tell the government we have suspended the program.

That was one of those clever strategies where we send a political signal by not telling them we're sending a political signal! At least initially. And so, in my situation I couldn't explain

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to my counterpart why I wasn't delivering the draft agreement. He kept calling, "Where's the agreement? You said you were going to send it." And I said, "Well, you know, it got hung up with the typist, then, it is in the mail, then something else." For about two weeks I had to make up stories why I couldn't deliver the agreement. Finally we came out and told them, "Our AID program is under review because of the adoption of Institutional Act Number Five", restricting political freedom.

There was a big meeting in the Embassy, chaired by the DCM, to discuss our policy because there were some dissenting views within the country team about our strategy. And most of the AID Mission was there arguing against holding up the program. They said that it didn't make any sense, that we were doing things that help the Brazilian people and holding up our aid and assistance is not going to change Institutional Act Number Five. I remember the DCM saying, "I don't understand you AID people, how you can think like that." He was lecturing us that we were all off base. Eventually State decided we could resume our program. The government may have softened Institutional Act Number Five; I'm not sure, but we went back to business-after a several week hiatus in our program.

What eventually led to the phase out of the AID program in Brazil was the human rights issue, as dramatized by the sanctimonious Senator Church. He visited Brazil several times in the 1968-70 period, and he didn't like what he saw. He launched a campaign on the Hill to close down or sharply phase down the AID program. That was the beginning of the end for the AID program. By 1971, I think the decision was made to phase out.

Q: Were there severe human rights issues?

BROWN: No there weren't; but Senator Church, who was the political precursor of the later Carter Administration's preoccupation with human rights, didn't like military government, no matter how benevolent. Ironically, in terms of honesty and good administration, the military ran the country much better than the preceding democratically elected governments. The Brazilians are not a brutal people. There was no widespread torture or

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abuse of prisoners. I'm sure there were cases of police brutality, but that was true in most developing countries. It was not a brutal dictatorship. Brazilians are not that kind of people.

There is a famous story about Brazilian conflict resolution. It involved an uprising in the south. You had two opposing factions, with generals and tanks, deployed and lined up facing each other from a distance. One general called the opposing general on the phone and said, "How many tanks do you have?" The other replied, "I have so many, how many do you have?." The caller replied, "I have so many." Then they compared numbers of soldiers. Then they discussed how the battle would go and who would win, based on their comparison of the two forces. The general with the smaller force said, "Well, OKAY, you win." Brazilians are not a violent people; they look for ways to solve a problem without violence. They have a easy going, relaxed style, and a very creative, musical culture. It was a delightful place to live. But you had a military dictatorship. You had some restrictions on some political freedom. It was a benevolent military government, staffed by civilians. No one lived in fear or was afraid of the government-except for the far left. But the situation was not like the oppression which existed under the military dictatorships in Argentina, Chile or Paraguay. Nevertheless, Brazil situation did not meet Senator Church's human rights standards, and he began a campaign to stop supporting the government. As I recall, OMB was looking for a reason to reduce the size of the Brazil program, so Church's attack fed into their efforts. That was the beginning of the end. In 1971 the mission was directed to prepare a phase out plan, and proceeded to carry it out over the next three or four years. Eventually, all that was left was an AID Rep and a family planning program.

Q: Did you travel around the country a lot?

BROWN: Brazil is an enormous country. I saw quite a bit of it, from Fortaleza on the coast in the Northeast to Rio Grande do Sul on the Argentine boarder in the south. I visited Brasilia and the center, but there is also a lot of it I didn't see.

Q: Were you involved in the northeast then? In that particularly severe area of poverty?

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BROWN: Actually, we had a separate regional mission in the city of Recife, which was unique.

Q: Explain the structure and situation.

BROWN: Because of the extreme poverty in the northeast, AID had set up this regional office with its own staff, strategy, budget and projects. It was a part of the Rio mission, and everything had to be approved by the Rio office. There was considerable tension between the two over the funding level for the NE office. The Brazilian Government also had created a regional development authority for the development of the NE; it was called SUDENE. SUDENE was over-staffed with nationalistic state planners. They were a difficult group to work with. Though the NE Mission and SUDENE were frequently at each other throats, at budget time each organization used the existence of the other to justify their respective indispensability and to argue for more funding.

The problems were severe: a feudal agriculture system based on sugar; a mass of poor farmers on marginal soil; frequent and severe droughts; and as a result, a high level of migration to the larger cities, leading to health, housing and other social problems. During my five years in Brazil, I did not see that we made much of an inroad on the most severe problems in the region.

Q: But these sector projects you worked on, weren't they in the northeast?

BROWN: Yes. We had four NE states participating in the education sector program, and a number of cities in the northeast received water system financing. And there were other programs, adult literacy, preventive health care, self-help housing, addressing some of the symptoms of poverty.

Q: There was no real concept of how to address the development of that area?

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BROWN: Yes, there was. At two different times, Donor Lion was appointed assistant mission director for the NE. The second time he was also the Consul General. Donor understood the nature of the region's problem, and he had developed a strategy to solve it: a transformation of the whole rural sector, the "zona da mata.". Unfortunately, his master plan was much more a theoretical construct than an operational plan. At that point in his career, Donor was a grand strategist. If I recall correctly his idea involved land reform, integrated rural development and other costly interventions. It was a very expensive proposal, and probably completely infeasible given the low level of human resources in the proposed implementing agencies, the lack of support from the Brazilian Government and the resistance of the large landholders, among other obstacles. Donor's proposal, which would have taken most of the Mission entire budget, did not get a warm reception in Rio. Frustrated with the lack of support, Donor decided to submit his proposal directly to Washington-and go around the Rio mission.

Q: He was supposed to report to the Mission Director.

BROWN: Yes he was. He was as assistant director and worked for the Mission Director. The budget for the NE Mission was a part of the whole mission budget to get funding it was going to come from Rio. But he was frustrated at what he considered the lack of support out of Rio, and so I think he decided that as Consul General he could take his case directly to Washington. He found out he was wrong. He was removed from his job shortly thereafter. That was the end of his career in Brazil, and the beginning of the end for the regional mission as well.

Q: Bill Ellis was the Mission Director at that time?

BROWN: I'm not sure. I think it was near the end of Stuart Van Dyke's tenure. As I said, once Donor left, they began to phase down the regional office. SUDENE was increasingly difficult to work with. Their approach was "better living through better state planning." They were anticapitalist, leftist planners who had a state enterprise solution to every problem.

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Donor had implicitly adopted a part of this approach is his transformation proposal. Even if you accepted a statist approach, the competence to carry out such an effort was unlikely to be found in the northeast of Brazil.

With respect to the Brazilian Government's view of the NE, I believe they decided to put their money where the returns were the greatest-which was not the northeast-so as to maximize economic growth and productive capacity. I think they concluded that the problems of poverty would have to wait.

Q: Any other aspect of your work in Brazil that we haven't touched on?

BROWN: Well, I returned to Brazil in 1971 or 72 to help the mission develop a very interesting science and technology loan.

Q: What was that supposed to do?

BROWN: That was supposed to develop an enhanced capacity for science and technological research and create a capacity for doing applied research for the industrial sector. It was centered in the state of Sao Paulo, with subsequent outreach to a similar capacity in other states. sell applications to industry. To promote practical, as opposed to pure, research, the institutes were required to cover a certain percent of their budgets by conducting applied research activities for industry. A major marketing effort was also required to convince the industrial leaders that such research really would pay off.

Q: Where did the motivation or interest in doing something like this come from?

BROWN: It came from the Brazilian leadership, in the state of Sao Paulo. The Brazilians were very interested in improving their research capacity and in becoming leaders in science and technology. The key individual on the Brazilian side was a U.S.-trained social scientist named Pastor, who worked for the state of Sao Paulo. He got acquainted with the AID mission and got them interested in the science and technology development

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idea, in particular, Bill Ellis, the director, and Owen Lustig, in the program office. After the mission had been unable to put together anything resembling a fundable activity, I was asked to return to Brazil on TDY to conceptualize a program-that is, to convert the mission's enthusiasm for this area into a fundable, workable program. It was a fascinating experience. I was dealing with a high tech world that I hadn't had any previous experience with. I brought in two consultants, Sadia Shore, a former G.E. senior scientist, and Jim Blackledge, an expert in the operation of research institutes. They advised the Brazilians on how you might structure the proposal. Ultimately, the program was successful in strengthening the research capacity, building these linkages to other states and fostering the fee-based industrial research business. They weren't fully recovering all their costs but they were picking up a good bit of their costs from selling their services.

Q: This was a loan?

BROWN: This was a loan to the Brazilian state of Sao Paulo guaranteed by the Federal government.

Q: Anything else you want to touch on in Brazil at this point? You can add to it later.

BROWN: Just to observe that AID had a tremendous impact in assisting Brazil develop, even though we phased out the program, prematurely in my view. There were a great number of success stories that were never properly written up and shared with other missions-and the Congress. An effort was made to do an impact study in the mid-'70s. Due to some unfortunate contracting requirement, the mission hired a retired AID officer, David Steinberg, to do the study. I believe he had been director of technical services in the NE Bureau before he retired. He had no experience in Brazil, and no sense of the significance of the study on Capitol Hill. Instead of showing how AID has contributed to strengthening Brazil's human resources, trained its leaders, build many of its key institutions, transferred essential technology and helped improve the standard of living for large segments of the population, Steinberg saw the glass as half empty. He didn't look

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at the bigger picture; he looked at individual projects, sought out and focused on flaws and imperfections. He was one of those self-appointed, professional truth-seekers whose specialty is fault finding. Such people, who are the curse of AID, apparently are only happy when they are criticizing the imperfections in the agency and denigrating its program. The result, in this case, is that the story of AID's remarkable role in Brazil's development goes untold.

Q: You left Brazil when?

BROWN: I left Brazil in the summer of 1970. I came back to Washington and took the FSI six month Economic Studies Program.

Transferred to the Development Resources Office of the Latin America Bureau - 1971

Q: Was it a good course?

BROWN: Excellent. It gave me an excellent base in economics which served me well in the career. After completing the course I went to work in the project office of the Latin America Bureau, called LA/Development Resources (DR) at that time. I spent the next ten years in the office, working my way up from the bottom to become office director in 1978.

Q: Who was the assistant administrator-or I guess there was several of them during that time.

BROWN: By the time I joined the bureau, I believe Herman Kleine had taken over as Assistant Administrator. Previously Herman had been deputy director in Brazil for several years, where I had known him. Frank Kimball was director of LA/DR at that time.

Q: But the Latin American bureau had an unusual relationship with the State at that time?

BROWN: That was with the geographic desks; they had a back-to-back relationship and an integrated desk operation. This was just breaking up as I came into the bureau; I never

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saw the integrated operation. Although they still worked closely together they were no longer integrated. I believe Dave Lazar was the only AID officer to head an integrated State-AID geographic office. It was the Central America Office.

Q: Why was it coming apart?

Views on the Alliance for Progress

BROWN: Well, the Alliance for Progress had lost its luster, with the passage of time and the change of administrations from Johnson to Nixon. And the integrated operation had been a part of the Alliance effort I believe, to foster close working relationships in support of the Alliance. I think State concluded that they didn't see any need to have AID inside the tent any longer.

Q: The DR office was quite independent of this?

BROWN: Yes. We were the project office, the mechanics. We didn't have anything to do with the State side. We were the capital development officers and technical officers integrated in one office. We didn't have much State interchange; our desks dealt with State..

Q: You were there for ten years. Quite a long period. What were some of the main lines of experience and things you were trying to do or working on during that time?

BROWN: Well, one of the interesting things I did was to save the office from destruction. I think it was 1972 or so and Herman Kleine decided he would have in effect a "contest" to reorganize the bureau. I'm not quite sure why. He told the office directors "Give me your ideas for how we can reorganize." And so Larry Harrison who was head of the program office (DP) designed a plan that would put all the power in the program office and gut DR entirely. The country directors, who were all strong officers, conceived a plan to put them in charge, and downgrade the roles of DR and DP And I think Jerry Pagano, director of

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the Executive Office, put in a plan that would increase his role and power in the bureau. My immediate boss, boss at the time was Fred Schieck. Fred and I became aware of all these plans and went to our director, Frank Kimball, and said, "Don't you think we ought to submit a plan?" Frank was unique in his ability to skim through a 100 page project paper, extract the essence and ask all the right questions. He also had great project instincts and a sense of what is really important. However, he didn't regard organizational matters as being very important. Nor could he ever have been called a workaholic. And so he looked at us and said, "Oh, this will sort itself out, let's not worry about it." Well, Fred and I were very worried. So we sat down on our own initiative and conceived a plan that gave DR all the power and undercut everybody else. Well, lo and behold Herman Kleine bought our plan. And most of the other plans submitted by the other offices were going to destroy our office. They were going to break it up and take all the capital development officers and give the technicians their own office. So, from being almost abolished, Fred and I rescued the office. More than that, we got it enshrined as the real power center in the bureau, because we had the delegated authority from the assistant administrator to conduct project reviews. He signed the authorization but we conducted the reviews and we made the basic recommendations yea or nay. Herman always supported whatever DR recommended. So, we became the real power for the next ten years.

Q: What were the principal elements of your plan, the one with the delegation of authority?

BROWN: As I recall, we created a combined capital development and technical services office, and we provided for equal treatment of loan and grant projects. Previously DP handled grants, mostly technical assistance projects, and DR developed loan projects. We said, projects are projects, however funded, and they should be reviewed against the same set of standards in the same forum. We proposed two assistant office director positions, one over the technical staff and one over the capital development officers, project economists and engineers. And we proposed that the Assistant Administrator delegate authority to the Director of LA/DR to review and approve projects. Herman approved our plan, with the understanding that he would still sign all project authorizations

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and the DR Director's decision was a recommendation to him to authorize or not to authorize the project, along with conditions and criteria to be negotiated with the borrower/grantee.

Q: How did it relate to the missions?

BROWN: There was no direct relation to the missions; it was a Washington reorganization of how certain headquarters functions would be carried out.

Q: The Missions still had the primary initiative?

BROWN: Oh, yes. The Missions in L.A. had always had fully delegated project development and implementation authorities; we were a decentralized bureau. We didn't have anyone like Brad Langmaid's trying to run country programs out of Washington, as Brad did in the Near East Bureau; there was great respect for the mission director when he came to Washington (the directors were all "he's" in those days). The tradition in the Bureau was one of field support and respect for the field. I would guess that at the time of the reorganization, the missions were largely indifferent. This was fine with them as long as somebody was up there approving their projects.

Q: But you reviewed their projects? So you had a sort of second guessing role?

BROWN: Yes, but our job was more than just reviewing the projects; it was managing the timely development and approval of the Bureau's entire annual program. This gave the office a great deal of influence. We had the final say in what their program would be, by deciding which projects were approved and which were not. I suspect 90-95% of the projects submitted were approved, but no mission wanted to have one of its projects fall into that 5-10% that were turned down. Moreover, we always assured that we had more projects ready for funding than we had budget to cover. This was for two reasons: to assure we could obligate all of our budget, and to have projects ready if other bureaus could not. For many years, we were able to get funding at the very end of the fiscal year

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and fund projects that were outside our original budget. The choice of what we would fund would be largely ours. That tended to make missions very responsive to DR's views.

Q: But you were also involved in designing the projects were you not?

BROWN: Yes we were. Let me take a step back. After Fred Schieck went to the field, I moved up to replace Fred as the assistant director for capital development in about 1974.

Q: The number two slot?

BROWN: The number three slot. And at that time I think Barry Sidman was the deputy and Dick Breen was the director. After two years I moved up and replaced Barry as the deputy office director in 1976, and the director at that point was Chuck Weinberg. And after two years as deputy, I succeeded Chuck in 1978 when he went to Panama as director. I was director of LA/DR (by then "LA" had become "LAC" to give more recognition to the Caribbean part of the region) for three years, until 1981. So for about a six or seven year period I had a very close association with the projects that were developed in the Bureau.

As capital development officers (or "finance officers," as Fred and I had rechristened the fraternity at the time of the reorganization to legitimize our involvement in non-capital, technical assistance projects), our job basically was to work with the missions to find out what assistance they needed in developing first the project identification papers (PIDs) and later the project papers (PPs). DP would tell them what their country program levels were, and we would provide the assistance to the missions in designing, analyzing and structuring their proposed projects. In large part, this assistance was provided by the staff of LA/DR. Once the proposals were developed, the missions would send the documents to Washington for review by the LA/DR-chaired bureau review committee. Over time, this review process, involving issues identification, mission presentation and defense of its project, and debate over policy, project purpose and approach, planning, feasibility and soundness analysis, costs, benefits and target group impacts, sustainability and other issues became invaluable training ground for young finance officers and young

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technical officers. They would sit in on the reviews and watch the debates, learn the kinds of issues that were important, and see the kind of presentations and arguments the mission representatives had to make to get their funding. And see a very professional but very tough challenging of mission assumptions and assertions. They would see that most of the time the good projects always got funded, and a few bad ones that didn't get funded. There were always a small number that had serious problems. Young officers would be asked to help draft issues papers and ask questions at the meeting. A whole generation of Latin America and Caribbean directors came out of that experience. There was a time a few years ago when almost every director in Latin America had come out of the DR Office. That is a significant if you consider that in the other regions the directors tended to come largely out of the program offices and desks-as they did in LA up until the early 1970s. These were talented young officers to start with, but that wasn't by chance because we were very aggressive every year in trying to get the most talented IDI (international development interns) assigned to the office. They internalized what they learned and went on and up. Even to this day, I think there are currently five D.A.A.'s (deputy assistant administrators) in the agency, and three of whom are women, who came out of my old office. They were trained, mentored and moved ahead.

Q: What was the core of the training work that you provided?

BROWN: It was teaching and mentoring bright, young I.D.I.s how to be a good project officer or good technical officer. That included understanding the bureaucracy and how to move up in it, understand how to work with missions, and in a project committee context, learning the type of issues to look for and, of course, the fundamental art of how to design and prepare a project, including all the appropriate feasibility analysis. In essence, it was teaching them how to convert an idea into a fundable project and how to present it successfully before a review body.

Q: Most were capital projects?

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BROWN: All kinds of activities. Capital projects, technical assistance projects, combinations thereof, sector programs, housing investment guaranties, whether funded by loans, grants or guaranties. Eventually the agency went to all grants in the late 1970s. We helped to develop and reviewed all of them.

Q: Was there any particular development strategy, philosophy in what that office was trying to follow or promote?

BROWN: Well, if we had a philosophy, it was to be the “best in the agency.” We were trying to develop the most innovative projects in the agency in all of priority activities and sectors. Our DR technical staff would push the missions to try the latest state of the art approaches in their respective sectors. We were basically trying to carry out agency policy.

Q: How did you implement the “New Directions” policy?

BROWN: When the missions would send up their PIDs, their new proposals, we would review them to see if they were getting to the small farmers or small entrepreneurs or whomever was the target group, or was getting outreach to poor people. That is the way we would help shape the orientation of program at the PID stage. Frequently we would also help to prepare those PIDs by sending out technical staff or finance staff.

Q: There were some who said we should be reaching the poor and others favoring the poorest of the poor?

BROWN: That was the tension between DR and DP. We always had some extreme advocates from DP. I remember Art Silver was one who would come to each meeting and pontificate about the fact we hadn't reached the absolute dregs of humanity. Yes, we had reached down to people who were this poor but there were some even further down there. He would go on about them. When I was chairing the review meeting I would listen to him patiently and say, “Yes, that is a good point”, but then I would artfully slide around his impractical position when I was satisfied that we were really reaching a reasonable poverty

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level. The DP “ideologues” were never satisfied. But I thought we were doing a good job of directing our resources to poor people who needed and could take advantage of our assistance.

Q: Did you think it was not feasible to address the poorest groups?

BROWN: The poorest groups? No, that is a welfare not a development question. That was the extreme that DP was typically pushing towards. We wanted to invest our annual budget in activities that were feasible in operational terms, cost effective and produced the desired impact. To do that you had to make choices regarding how far down the poverty scale you can reach. Helping some groups might not be cost effective or sustainable. Creating small and micro-business programs was something we did in many countries for example. These programs reached very poor people, but they were people who had the potential to improve their livelihood and expand their businesses, as they repaid their loans. We faced the same issue with the small farmer. DP was always pushing to go lower. I believe we made the right choices. Our programs worked and got results in terms of helping poor people. I would also note that DP never took this issue to the Assistant Administrator. Moreover, Congress seemed to find our programs very responsive to their concerns.

Oh, there was another point on the role of LA/DR that I wanted to make. The other thing that DR did that was probably unique was that we took on the personnel function. Working very closely with the bureau's Executive Management Office, or EMS, we would help plan people's careers and move them around the region. This was why the L.A. Bureau had the reputation of being a closed club: once you invested in staff who spoke Spanish and were effective you didn't want to lose them. Conversely, if someone from another region didn't speak Spanish, we were less enthusiastic about assigning such a person to a senior position. We spent a lot of time planning who ought to go to which mission and how we could get good younger officers assignments that would help them grow and develop. I'm sure I spent twenty percent of my time per week for six years working on personnel

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questions. Obviously we didn't do Mission Directors, but except for the program, executive and controller's offices, we basically did the staffing of the missions.

Q: Both overseas and in Washington?

BROWN: Yes. We worked very closely with the EMS director explaining who we wanted to go where, and EMS in turn would work our recommendations through the personnel system. The staff in the field felt very good knowing that they were being backstopped both in professional and career terms by our office. They didn't have to go over to personnel, they just came to us and we would almost assure them that they would get a good assignment if they had done a good job. We were backstopping all the technical officers, the finance officers and some of the economists. We and DP both had economists on our staffs. In terms of developing future leadership within the agency, I believe this was a very important part of our function, that is, the care and feeding, training, mentoring and managing career moves of all of those people. A generation later, the vast majority of the LA mission directors came from this group. They had good experience and good exposure and they emerged as the leaders in the subsequent generation. LAC/DR produced numerous DAAs throughout the agency, two Counselors to the Agency, three directors of the Egypt mission, and directors of many of the largest agency programs throughout the world. And as I mentioned earlier, there are currently five DAAs that came out of this office.

Q: Were there any differences between the finance officers and the technical assistance types?

BROWN: That was a never ending conflict. My job was to convert that potentially disruptive conflict into creative tension. I'm not sure I succeeded, but I used to tell myself that I was making progress in that direction. They were frequently at each others throats, at which point I would jump in to defuse the crisis, or imagined crisis.

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Q: Why was there tension?

BROWN: Well, it was occasional tension. We had a number of talented, ambitious officers who all wanted to be the chairperson of the TDY project development committee or team, make the key decisions and be in charge. There was resentment if the finance officer chairperson was younger than the technical officer on the team. And I used to resort to all kinds of devices to integrate that conflict. We would sometimes have co-chairpersons. Other times I might say, "Look, in this case this person has more experience." I would vary who was chairperson; sometimes the technician would be in charge. Since I had come out of one side of this running office conflict, it was important to show that I was evenhanded in such matters. I "bent-over-backwards" to be sure the technical staff didn't feel as though they were getting second class treatment.

Q: Were there differences in outlook or approach?

BROWN: It depended on the persons in question. A good agricultural economist with experience might be just as good as a finance officer in putting together the substance of a project. What was needed were conceptual skills, an analytical way of thinking, the ability to write, knowing how to structure a workable project and how to pull together and integrate the work of the project team. It was more common sense than rocket science. So any analytically oriented, pragmatic officer could probably excel in this area.

On the other hand, if you had a professionally oriented technical officer, a health or education officer for example, they might be disinterested or even disdainful of the bureaucratic or procedural requirements of project paper preparation, perhaps somewhat impractical or unable to meet deadlines or unable to write concisely. In these circumstances, you needed a practical, results oriented finance officer to pull together all the necessary analysis, package it for presentation on schedule. The trick was teaming up people with complementary skills and abilities so that everyone benefitted from the experience and high quality work come forth.

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Q: Well, LA/DR had a reputation for being an unusually high powered, high quality operation over the years.

BROWN: I like to think so. We spent a lot of time recruiting, training, mentoring and placing good officers. And it was very satisfying to see them grow and develop into agency leaders.

Q: How about your relationship with the rest of the agency? Did you work with the rest of the agency ?

BROWN: Well, back in those days, when I was at the DR finance officer level we just did the project work and we didn't have much dealings with other parts of the agency. When I became the director of DR, I used to have more contact with PPC. When Ed Coy was acting AA he used me for a number of interagency things.

Q: Such as?

BROWN: Going to budget meetings along with DP, attending interagency budget reviews and arguing many of the issues that DP traditionally handled and meeting weekly with State's Inter-American Affairs DAS for economic matters. But I didn't have all that much interagency interaction, our focus was on developing the biggest, best and most innovative program in the agency.

I might say that one of our problems was the "New Directions" mandate, which I saw as a congressional backlash in large part to our Vietnam involvement, and disenchantment with using AID as an instrument of foreign policy. In effect, the Congress said, "AID, you should just focus on helping poor people. But, we don't trust you, and so we are going to prescribe what you can do and what areas you can do it in and tell you how much to spend in which area." Well, we in DR were not enamored with that narrow approach to development, but we said, "OKAY, if those are the rules, we will be the best and we'll be there first with the best projects." And I think we were. But unfortunately, the countries

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weren't always ready for the assistance that was being prescribed. I've never liked the "top-down" planning where you say you are going to do so many agricultural projects worth so many million dollars because there may not be that many good agricultural projects out there in that year. But if that is what you had to do, we would certainly do it. I am afraid that a number of our projects in that era weren't that good, even though on paper they made sense and had been thoroughly analyzed. That was because the host country wasn't really ready for that particular project. We set records on getting new projects developed and responding to new initiatives whether it was the poverty focus, science and technology, or the environment. But the real problem was the top down planning framework which was prescriptive and said you have to do so much in certain specific areas rather than go out and decide what were the most pressing problems and most promising development opportunities in a given country and which countries were ready to do what kind of programs.

I am afraid there was probably a 25% loss factor on our program overall. Even though our projects looked good and sounded good, but in many cases the country wasn't really ready to undertake them because we were doing top-down rather than bottom-up programming. And that goes back to the basic human needs prescriptive approach, combined with congressional earmarking. That changed the way we did business-for the worse.

Q: Well, let's turn to some of the countries that you were associated with in that DR work. What were the countries that you found most promising or most responsive and vice versa?

Interesting country situations and "graduates"

BROWN: Well, the countries which were graduated from AID assistance tend to be the most successful. Chile is probably at the top of the list, with Brazil close behind.

Q: What was your criteria for the graduation?

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BROWN: Well, the L.A. bureau didn't graduate-or want to graduate-any country. Typically it was the White House, OMB or PPC. We would have kept helping everybody as long as there was money there. There were always development needs to be addressed. Moreover, a country could also stumble after being graduated. That happened in both Chile and Costa Rica. And we went back into both of them, at State's direction. In the case of Chile, General Pinochet's rise to power accelerated our departure. When he left, we returned.

Colombia was a unique case in that they graduated themselves. That was provoked by our discovering that the internal resource allocations we thought we had been effecting with our sector lending were not being made; they had been scamming us. When we pointed that out to them, and cut off our sector assistance, they decided to declare themselves a developed country no longer in need of AID assistance. What could the USG say but "OKAY, we'll phase out the program." When a new Colombian Government came into power of couple of years later they said, "Hey, we didn't mean that! We need U.S. assistance." We said, "Sorry, you are an AID graduate." And so Colombia graduated a little early while the drug problem was developing. It might have been just as well for our interests that we got out of there when we did because then the drug problem became much more serious. And I'm not sure how effective we could have been.

Brazil, as I mentioned earlier, was graduated prematurely, courtesy of Senator Church, for human rights reasons. We could have done a lot more there if we if we had stayed. I suppose it was a moral victory for the human rights advocates: AID departs and the World Bank and IDB provide massive amounts of assistance to Brazil! Argentina became a graduate early on; in fact, they never were a major AID recipient. It was a strange country, a country full of haughty Italian descendants speaking Spanish. They were almost a developed country in the 1930s. They had all the human resources and all the natural resources but like good Italians they couldn't manage themselves. And so they floundered for many years, mostly under various forms of dictatorship. And Peru and

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Bolivia were major recipients throughout the '70s and '80s and have continued to be major AID recipients, and they have made great strides. Bolivia particularly. Going from a socialist disaster in the '50s and '60s to a free market based economy that is attacking poverty. That is a remarkable transformation. In the 1960s, Central America was regarded as a kind of backwater. That's where AID officers were assigned who got in trouble or were found to be somewhat lacking in the talent department. The joke used to be that Central America was the "elephant's graveyard." However, by the time I became deputy assistant administrator in 1981, Central America was on the front burner; it had become our top priority in the region, courtesy of the new Reagan Administration.

Q: This was the Kissinger Initiative?

BROWN: Yes. That was the Kissinger Initiative in the early 1980s. Central America went from a series of ten million dollar country programs in the 1960s to a multibillion program under the Kissinger Initiative.

Q: Was the ROCAP there at the time?

BROWN: The ROCAP had been there since the 1960s.

Q: What was your perspective on what ROCAP was supposed to be doing and why?

BROWN: Well, during most of its life it was intended to promote regional economic integration and to develop common services-that is, create regional institutions or services which could function most efficiently on a regional basis such like a science technology institute or ag-research operation, or an industrial research operation. Things that had economies of scale that if the countries would get together and do them centrally rather than each little country trying to develop the same function or service. However, that was largely an idea in search of an audience. As long as we paid most of the costs, the Central Americans would go along. The whole ROCAP concept proved to be light years ahead of its time. The Central Americans really weren't that interested in regionalism, they gave it

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lip service, but they all wanted their own national institutions-no matter how inefficient or poorly funded. They would grudgingly agree to put in their small part of the funding for the regional activities..

Q: What was the prime motivation for trying to promote this concept?

BROWN: Well, going back to the 1960s, there was always a group in the LA bureau who had a vision of an integrated Central America. During the 1970s Larry Harrison became ROCAP director and pushed the concept very hard. Finally he got disenchanted with the prospects of getting the Central Americans to really work together, and so he concluded we should close ROCAP. (Of course, whenever Larry left a mission he argued we should close it out.). I argued against Larry and was successful, and we kept ROCAP alive. Only to have it phased out several years later. I should have supported Larry's recommendation, he was right in that instance.

Q: Why did you keep it alive?

BROWN: Well, a combination of reasons. One was the optimistic hope that at some point the Central Americans would see the advantage of the integration and common services approach and really buy into the concept. We hoped that they would see the benefit of regional exchange or commodity stabilization funds or grain storage facilities, appreciate the economies that could be achieved in many areas. The other argument, more crass, was budgetary politics. ROCAP was one more program we could argue for to increase the bureau's budget total. Ultimately, everyone, except the ROCAP director and most of the mission's staff, agreed that we have given the concept every chance, and it was time to make a change. We had pushed the idea for thirty years; the Central America didn't deserve any more regional assistance.

Q: ROCAP still there?

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BROWN: No. It was abolished as a separate mission during the later part of the Bush Administration and what was left became an arm of the Guatemalan mission, reporting to the Mission Director and limiting itself to certain regional activities.

Q: In your LA/DR experience, what were some of the projects or programs that you felt particularly good about? That you felt were effective, worked and had an impact?

BROWN: That covers a lot of ground.

Q: In ten years you ought to have seen a lot of things come and go?

BROWN: Yes I did. For example, every year we reviewed about 70 projects. So during my last five years in the office I probably chaired reviews of 60 to 70 projects. At this point, they tend to run together.

Q: That's right. But were there any particular area or type of activity that stood out in your mind? Not necessarily individual projects, but an area that you felt...?

BROWN: Well, we pioneered sector assistance in agriculture, education and health. And I think we were successful in negotiating sectoral policy reform. The "New Directions" policy essentially got us out this business. We also pioneered municipal development projects. Our rural health delivery projects were important in reorienting host country health policy, moving them toward more cost effective preventive investments. And in the 1979-81 period we conceived a new public investment-employment generation program in several key countries facing serious macroeconomic problems. These hybrid activities were financed with Development Assistance funds since we didn't yet have ESF available to us. ESF authorizations rose sharply in the early 1980s. I also believe we were successful in stimulating employment-generating activities in the private sector, such as creating new private financial institutions and small enterprise credit systems.

Q: What approach did you have there?

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BROWN: Well, for the most part they were mission sponsored projects, many of which we had strongly encouraged them to pursue. The missions would work with interested private sector leaders in organizing a private development bank or new credit system. Many of these became very successful. We had one very interesting regional initiative with a group called LAAD (the Latin American Agri-Business Development Corporation) in Coral Gables, Florida. Over a period of several years we made several loans to them totaling something like \$50 million dollars, which they would partially match with private funds they would mobilize. LAAD in turn would lend those resources to small and medium agribusiness producers in the Caribbean, Central American region.

Q: These were American investors?

BROWN: The LAAD Board members were Americans. The prime mover was Bob Ross, an American raised in Latin America who had a Harvard MBA. LAAD limited their loans and equity investments, however, to local agribusiness ventures. The project was designed to increase agri-business investment and nontraditional agricultural exports, both of which tended to be labor-intensive.

Q: Was that effective?

BROWN: It was both effective and successful. Since the project covered an entire subregion, it obviously didn't have a massive impact in any one country, but LAAD had a significant overall impact in terms of transferring new technology in the subregion, creating or expanding agri-business investment, involving small farmers in the production needed by the agribusinesses, and in interesting entrepreneurs in nontraditional export crops, such as melons, pineapples, cut flowers, and other products that had strong demand in the U.S. LAAD was a project largely development and managed out of LA/DR. Another ultimately successful project was a graduate business school in Central America.

Q: INCAE.

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BROWN: Yes, INCAE, with the help of Harvard.

Q: What does INCAE stand for?

BROWN: Central American Institute for Administration of Business. Originally it was a ROCAP project. We made a mistake in the beginning by funding the project with a loan, Not may business schools get endowed with loans. I don't know why Harvard didn't point that out to us. At some point INCAE named a Nicaraguan with a Harvard MBA as rector; he was a disaster for the school. He proceeded to build a large office complex, buy an expensive Mercedes Benz and do a number of other dysfunctional things as an administrator. So, over a few years he brought the school to the point of bankruptcy. Finally they fired him. I was director of LA/DR at that time and was faced with the question of what do we do with INCAE? Do we let it go under? They were defaulting on the repayment of our loan. I concluded that it was not in anyone interest to let it go under. So we put together a follow on \$6 million grant project to enable them to regain their solvency- and to repay our loan.

Q: You were giving them a grant to repay their loan?

BROWN: Well, the Sandinistas had taken over in Nicaragua by this point. They were harassing INCAE; they didn't want any U.S.-sponsored business school in Nicaragua. So, we helped INCAE move to Costa Rica and open a second campus. They had two campuses. They would do public sector management in Nicaragua and private sector in Costa Rica. We helped them acquire the land and construct the new facilities. It was a former country club location, a golf club. So, we used a large part of the money for that purpose. But part of the money enabled them to free up sufficient cash to resume payments on our loan, because if they were in default to us we couldn't do anything to help them. Although it raised some eyebrows among the BHN believers in the bureau, I believe I made the right decision.

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Q: It has been a very successful institution.

BROWN: Yes it has. I don't take credit for that first loan; that was before my time. I did manage to save INCAE years later. And it has proven to be very important education center as well as a form of regional "think tank". That is one regional institution that has worked very successfully in Central America. Students from all over the hemisphere come to INCAE for training. Another successful private sector project that I can recall is the creation of a private development bank for the Eastern Caribbean. During the latter part of the Carter period there was a growing concern over potential instability in the Eastern Caribbean, where the small island states had been on very short notice "graduated" by the British who felt they could no longer afford to underwrite the cost of these Western Hemisphere dependencies. There was the clear risk that a number of these ministates could be taken over by the left, as had happened in Grenada. So the US, was looking for extraordinary ways to help them, and the Acting Assistant Administrator, Ed Coy, looked to DR for ideas. One of the first things we did was to create a special facility through the Caribbean Development Bank to finance labor-intensive public works and infrastructure projects in the islands. It was a form of disguised program assistance focusing on the local currency impact of the assistance. Again this was before we had any ESF authority. It was a short term, economic stimulation effort.

Our longer run response was to create a private development bank to lend to the private enterprise in the region. I went down to Barbados on TDY to lay out a plan for Bill Wheeler, the mission director for the Eastern Caribbean, for how to put the project together, including how to finesse the objections of the problem-creating regional legal advisor stationed in Barbados. Bill and his team put together a sound project, involving the best private sector leaders in the region. Over time, the new bank proved to be an important source of capital for new businesses and business expansion in the Eastern Caribbean. These were very small economies and the existing banks wouldn't think of doing any

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capital investment financing. That was an important initiative in the period just before the Reagan Administration came in and developed the Caribbean Basin Initiative.

Q: These are making loans for new businesses?

BROWN: For starting new businesses or expanding ongoing businesses in the countries that make up the Eastern Caribbean. These were the small, English-speaking islands that for years had been British colonies or protectorates which the British concluded in the late 1970s they could no longer afford. The islands had been highly dependent on the British, financially and psychologically. They were not prepared to take responsibility for their own affairs. I had a fascinating exchange with one of the Prime Ministers at a World Bank conference on the Caribbean in Washington. We were having a one-on-one meeting, and I told the PM that our regional mission in Barbados looked forward to assisting him in attacking his highest development problems. Then I said, "Tell me Prime Minister, what is your highest priority need?" And he thought for a moment and said, "I need four new tires for the fire truck at the airport."

Q: A big thinker.

BROWN: That was his understanding of development, and how he had viewed the role of the British: They pay the bills. You send them the bills and they pay them. And AID was taking on their role. And at that moment the fire truck needed new tires, and he needed someone to pay for them. So, I said, "Well, I'll pass it on to our Mission and I'm sure they will look carefully at that request." The people of the Eastern Caribbean were charming people and they spoke delightful English, but they did not have an understanding of the concept of self-help; they were from the entitlement school. They had always had the British around to pay the bills. And while there was never enough money to really address their needs, that wasn't a problem as long as there was just enough to get by.

Q: They weren't thinking in development terms.

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BROWN: No. They never had to set priorities, make choices or sacrifices because the British took care of them. But then suddenly the Brits cut them loose and said, "God speed, you are on your own." Our mission had a very difficult time trying to get them to accept the idea of self help-that you have to do something to get something. They did not understand why we couldn't just write the checks to cover their needs, as the British as always done. It was hard to counter that mentality. It was unique in my experience in Latin America. I guess ultimately they have come to understand what is meant by self-help.

Views on sector program financing

Q: What happened to the old sector program, loan financing concepts?

BROWN: Well things tend to go in cycles in AID, and sector program assistance was done in by the New Directions/BHN enthusiasts in the Congress who wanted to refocus AID solely on directly assisting the poor. Plus, we had lost all of our ESF assistance-or whatever it was called in those days-because that was considered "political" money and the liberals on the Hill didn't like that. So Congress told AID: "DA only." Thus we had lost all of our tools for doing sector assistance in the early 1970's and only had projectized DA money to work with. As a result I spent a considerable amount of time in the latter part of the '70s devising assistance modes that minimally met the DA's legal requirements but really had broader sector impact, like the employment sector program we developed with Caribbean Development Bank. We were working right at the margin, addressing broader development needs with DA projects that looked a lot like sector programs. By the end of the Carter Administration, there were some small amounts of ESF that were appropriated for the Eastern Caribbean to deal with their pressing employment problems. Fortunately we were already working there, with a precursor instrument conceived to meet a broader sector problem that we really didn't have right tools to address at that time.

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Q: There was some question that people raised in Colombia where there was a problems of spending the local currencies that were generated by sector programs and budget issues?

BROWN: That was true particularly true in Colombia. We had been doing sector lending for several years in Colombia with considerable success in terms of policy reform. Overtime, we became more and more demanding in our conditionality-particularly in terms of internal resource allocation. I suppose we exceeded the Colombians' tolerance threshold. We discovered they had been playing a game with us and telling us one thing regarding budgetary allocations while doing something quite different. This had been going on for a couple of years. I believe Ron Venezia who uncovered the scam they had been running on us. Ron was working for me in LAC/DR at that time, backstopping the Colombia program from Washington. He discovered that the Colombians were not being honest with us. They were telling us one thing about how they were using both budgetary funds and sector program local currencies in accordance with agreed reform targets, while they were actually spending them just the way the politically powerful wanted. That led to the end of sector assistance in Colombia. And that in part was what led them subsequently to declare their own graduation from AID assistance. They got annoyed that we pulled them up short and said, "You're lying to us." They didn't like that. And then after, I don't remember how long exactly, they decided they would graduate themselves.

Q: During this time in DR you had opportunity to see what some of the effects of the Alliance for Progress because it was phased out I guess by that time. Did you get any sense of what it did or accomplished?

BROWN: I think its accomplishments are similar to those of the Kennedy Administration overall-that is, more myth than reality. I always ascribed great things to the Kennedy Administration but it was because at the time I thought that Kennedy was a great President. However, I think the Alliance energized and excited a lot of people, particularly Latins who were working in mid-level positions in planning, finance, education, health

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and other ministries around the hemisphere, and who ultimately emerged as ministers and even presidents in later years. They had been exposed to, and in many cases imbued with, the Alliance reform vision and framework, though it never really took off in the 1960s. Unfortunately, the first thing that happened within a year or two after the President launched the Alliance was that most of the countries suffered military coups. That ended the democratic goal of the Alliance, and posed an embarrassment for the U.S. Administration. The Alliance did reaffirm the importance of the countries in this hemisphere, increase the level of U.S. assistance and get the Latin Americans to look at themselves and their problems and to acknowledge the need for reform.

Q: What were the reform concepts we were promoting?

BROWN: As I recall, there were political reform goals supporting democracy; macroeconomic goals supporting economic stabilization and growth; and goals encouraging the countries to provide more assistance to and improve the standard of living of the lower income population. We promoted the latter with our sector assistance programs.

Q: I see.

BROWN: The goals may not have been accomplished, but the development problems and the poverty problem were clearly highlighted, and an increasing number of the Latins acknowledged them. I think the Alliance provided the framework and mindset for many of the things we and the Latins have undertaken over the past 30 years.

Q: But you were saying it perhaps influenced a new generation of leadership?

BROWN: Yes. A new generation of Latin thinkers. Many had been caught up in the excitement of the economic and political reform idea. I have heard Latin leaders say, after they came to power, "You know I worked on the Alliance when I was just a young officer in the planning or finance ministry and that was an important thing you tried to do with

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us.” It gave them a framework and a sense that the U.S. cared about their development, and in many cases made them more receptive to working with us in later years. That doesn't mean there weren't a great number of Marxist oriented, anti-Yankee leaders as well. But overall, the Alliance was a very positive initiative in terms of creating a common intellectual framework. Unfortunately, the timing was not quite right to achieve dramatic results in the 1960s. The irony is that you had Kennedy come out with this bold reform plan and increased assistance in 1961, and shortly thereafter most the countries suffering right wing coups and dictatorships. Twenty-five years later, after the conservative Reagan Administration again sharply increased assistance for Latin America and launched a new Central America Initiative, democratically-elected governments emerged throughout Central America and in most of South America!

Q: Well, maybe the impact was slow in coming.

BROWN: I think it helped to lay the base for many important developments which were long in coming. Many of the Alliance goals were only realized 30 years later.

Q: Were there other things in the DR area that you were concerned with?

BROWN: Probably the most important influence on me when I came back to Washington, in terms of forming my mind set, my style of operation and my organizational values, was the leadership of Herman Kleine, our Assistant Administrator. He was very professional, very serious, very hard working and wanted to do everything right-and to the highest standard.. Herman didn't cut corners. He didn't fool around. He was a professional and that was the standard he set. I was deeply influence by him and internalized much of what he stood for-though I did cut some corners and certainly did fool around more than I think Herman would have approved of. He was a great role model for me, a stern father-figure.

I can recall one review meeting on the Brazil portfolio which he chaired; it was probably around 1972. I was a still young officer and I knew Herman well from having worked for him when he was deputy director in Brazil. We used to have monthly reviews of

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implementation in the field. I was back-stopping the Brazil program and Herman asked some question which I didn't know the answer to. I tried to distract him with some humor because I couldn't answer his question. Several people laughed at my humor. Herman however pulled his reading glasses down, looked down the table at me and said, "Buster, I take these reviews seriously even if you don't." I hunkered down in my chair. That was the last time I tried to distract Herman with humor. But he saw what I was doing so he embarrassed me; he zapped me good. He was a very revered figure in the LA Bureau as a career guy who made it to Assistant Administrator. He did an excellent job running the bureau.

Q: I see. What would you call his style?

BROWN: He was a very serious, responsible manager who expected and got the best from his people. He was not what you would call a conceptual person, however. That was not his forte.

Q: He did not have a development philosophy to push or anything of that sort?

BROWN: If he did it didn't come out. Congress, the White House and the AID Administrator laid out the policy and priorities. I think Herman saw his job as carrying out that policy and set of priorities. It was simply that here were the rules and we want to be the best in carrying them out-to meet deadlines, to address the priorities and respond to new initiatives, to obligate our funds on a timely basis. I think Herman wanted us to be the leaders within the existing framework. He wanted to have everything done properly and responsibly. He was not a conceptual thinker. He didn't espouse a particular development philosophy other than good management. Perhaps his ego was not as large as some of our other development philosophers who wanted to leave their mark, or make a name for themselves through their particular crusade. Interestingly, Herman was nowhere near as effective when he was deputy director in Brazil or when he was deputy assistant

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administrator in Latin America. His talent for leading people only emerged when he was in charge.

Q: On the DR side, are there any other events or areas that you want to comment on?

BROWN: Well, talking about problems with the New Directions mandate, a major one was Congressman Clarence Long, or “Doc” Long as he was known. He was the Chairman of the House Foreign Affairs Subcommittee-Foreign Operations Subcommittee who became the patron saint of appropriate technology or light capital technology crusade. In his later years the Chairman was suffering from something that caused him to be rather wacky on many occasions, particularly field visits. He wasn't “all there” all the time. He was also irascible and authoritarian-a delightful combination for those who had to deal with him. He was pushing us into activities that were very cheap per beneficiary, employing what he called light capital technology. One of his favorite innovations was the sharp stick, which you stuck in the ground and made holes for seeds, and that was an agricultural project. He argued against much of our program as being too expensive and too high tech. While there is a grain of truth to that, he carried the opposite approach to the extreme, to the point of becoming irrelevant. My sense was that, by the end of the 1970's, AID had become almost totally irrelevant in foreign policy terms; we had no tools available to us to respond to foreign policy interests. We were also becoming only marginally relevant in terms of development. Clarence said all we were supposed to do was look for the low-cost, appropriate technology innovations that could assist the rural poor-never mind the broader range of development issues and policy problems that countries were facing.

So in my view, one of the great contributions that Peter McPherson made when he was appointed administrator by President Reagan was to make AID relevant again. I call it the “McPherson Restoration”. He made us foreign policy players, mobilized support for ESF assistance, got us into policy reform again, in a major way, and made us a full service development agency. Instead of only focusing on the poverty problem, he broadened our focus to include policy reform, institution building, human resource development the

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technology across the board. And his great contribution, I believe, was to restore AID's relevancy in the foreign policy and foreign assistance arena in the 1980s.

Q: You spoke about having ESF money at some time during this period in contrast with development assistance money. Was there a different approach to using this money compared to regular development assistance funds?

BROWN: Well, there was a lot more flexibility in terms of how you could use the funds, the kind of problems you could address and the results you were looking for. In other words, not just targeting the money on the poorest people.

Q: But it had a very political connotation to it, didn't it?

BROWN: Well, it did. However, we fought very hard with State to establish the principle that ESF is AID's responsibility. In essence, we told State that you may persuaded Congress to appropriate the ESF to address a foreign policy concern, but we are responsible for it and we are going to program it in a responsible manner for things that we think are sensible. And we always won, well almost always, won those battles. While I was in a senior position in the bureau we would never concede that State had a speaking part in how to use AID resources. (Parenthetically I would note how different things are today in AID, particularly in the Russia/East Europe area.) We fought very hard to assure those funds were planned for and used in ways that AID could defend in development and economic stabilization terms. We used them in many cases to support economic stabilization programs, where policy reform had to be carried out at the national level. Typically the local currencies would be used for productive employment generation programs at the local level, or allocated to increase the government's budget for agriculture, education and health.

Q: Did you have to deal with State a lot in your role?

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BROWN: Yes I did. First as Director of DR in the late '70s and then as LAC Deputy Assistant Administrator in the 1980s.

Q: We'll come to that.

BROWN: Well, in the late '70s we used to have weekly meetings with Pete Vaky, the Assistant Secretary of State for Inter-American Affairs, and his deputy, John Bushnell, to go over what we were doing with our funds, and how the program was moving and what we were accomplishing.. Ed Coy was our acting AA at the time. Ed would take John Sanbrailo, the head of DP, and me, the DR Director, to the meetings. John Bushnell would try to manipulate us and tell us to do X, Y and Z with some of our funds. He was very good at that. And we would try to appear responsive while not actually agreeing to do anything that didn't make good development sense. So, that's how I first got directly involved in the State-AID relationship, through these weekly meetings. Bushnell was, on the one hand, a very strong ally because he was a very aggressive, persuasive advocate within the bureaucracy. Very smart and ruthless is how I would describe him. So we would try and use him to argue with PPC and OMB to increase the budget level for the region, and then try and hold him off once we got the money. He was just as ruthless in trying to tell us how to use the funds. Generally we were creative enough to keep ahead of him and have sound development uses planned for the incremental funds he helped us get.

Q: Do you recall any particular push or priority that he kept promoting or what he wanted to do with the money from a State perspective?

BROWN: Not in particular. Basically he was much more interested in the short term than we were-a typical State-AID difference. He wanted to get the money moving quickly and not worry about longer term impacts or the institution building characteristics-the things that AID thought were important. Bushnell was both an economist by training and had experience working in an AID mission as a young officer. Thus in our tussles over the use of funds he knew enough about AID to be dangerous. I don't think I have ever dealt

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with anyone who was as bright, aggressive and tenacious as was Bushnell. However, he lacked vision. He was like James Baker, our infamous Secretary of State who was great at political fixes and working deals but who had no real concept of where you wanted to be or why you ought to be going in a particular direction. John was like that. He was in on the early stages of the Caribbean Basin Initiative, and I remember he dismissed it as something that was never going to work. He just couldn't envision such a longer term, multidimensional scheme ever attracting the necessary political support and getting off the ground. He was wrong, and as a result was moved aside. He was looking for quick fixes. The problems in the Caribbean were not going to be solved with quick fixes.

Q: You can come back to the DR later if you like. But you left DR in what year?

BROWN: In 1981.

Q: And then became?

Advancement to Deputy Assistant Administrator in the Latin America Bureau - 1981

BROWN: Deputy Assistant Administrator. Ed Coy, who had been DAA, had a stroke following heart surgery and had to take disability retirement. Dave Lazar, then head of DP, was named acting DAA to replace Ed. Dave was acting when the new Assistant Administrator, Otto Reich, took over the bureau. Otto was a political appointee, and a strong anticommunist Cuban-American. After working with Dave for a few weeks Otto concluded Dave was not the person he wanted as his deputy. He asked me if I wanted to be his deputy and found another job for Dave.

There is an interesting story on how Otto Reich got to be Assistant Administrator. It is one of the rare instances where the bureaucracy recruited its own AA. In this case it was John Sanbrailo who had, and has, a wonderful political sense and touch who did it. He was head of DP at the time and I was head of DR. Reagan had just won the election and we were agonizing over who we were going to get to be our AA-fearful it could be a real right-

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wing anti-AID crazy. John knew Otto Reich who was the head of the Washington office of the Council of the Americas, an influential organization that represented US business interests in Latin America. Otto was a well-known, well-liked and very effective lobbyist on the Hill. He was also a Cuban-American-his name notwithstanding. So John went over to see Otto and told him about the job. Otto wasn't sure he could take on a job like this; he said he really didn't know much about AID. John persuaded him he could master the AID business in no time and that he was just the person who could lead a resurgence of the Latin America program for President Reagan. That appealed to Otto and he finally said "I'll do it." He put his resume together and got somebody on the Hill to recommend him to McPherson. McPherson interviewed him and said, "You are the guy I want." Subsequently, he was nominated by the President and confirmed by the Senate, and it was all John Sanbrailo's doing. A brilliant idea which got us a terrific bureau leader whose tenure was far too brief, before he was spirited away by State. But that's how Otto Reich became Assistant Administrator.

Q: So how long did you serve as deputy assistant administrator?

BROWN: From 1981 to 1985. During this time I ended up as acting AA for two and a half years during periods when we didn't have an AA; that was an very interesting experience.

Views on the Caribbean Basin Initiative

Q: Let's talk about the Caribbean Basin Initiative. That came at that time, didn't it?

BROWN: Yes, it was the first major initiative of the Reagan Administration in this hemisphere, and it focused particularly on the smaller states in the Eastern Caribbean, which were economically and politically weak and unstable, threatened by the left and with a very limited resource base. The concept of the CBI was to attract more investment into these small states, increase exports and jobs. It had a major trade component opening up our markets, giving them special preference. It was a precursor to the later, and

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larger, Central America Initiative, which was largely an effort to prevent the spread of Communism in the region.

Q: What were the main development thrusts of the CBI effort?

BROWN: Stimulating new private investment, new export activities, expanded private sector employment opportunities and short term public sector employment creation. Preferential access to our market was the key feature of the trade promotion element. AID got a supplemental appropriation, \$300 million I believe it was

Q: What kind of projects were you financing?

BROWN: The key problem in that region was the lack of natural resources. They grew second rate bananas that only the British could abide, or were willing to buy. Poor, rocky soils best suited to bananas and sugar cane. Many of the countries were small islands, some with no agricultural potential. We tried nontraditional agri-business activities that had good employment effects, such as pineapples and other tropical fruits. We also supported garment and sporting good assembly industries, tourism, hotels and infrastructure.

I doubt the small states have yet become financially viable entities; at that time the thrust was to mount an action program in the short run to stimulate economic activity and avoid a takeover by the left.

Q: Were they really threatened at that point?

BROWN: The political leadership was generally weak, particularly in the Eastern Caribbean states; they had almost no revenue base, and as I mentioned earlier, were accustomed to having the British provide for their needs. The political parties were weak and, of course, in those days, the Marxists, were actively looking for opportunities. A Prime Minister could be ousted and a Leftist take over without much difficulty. Grenada was an example. The countries had no armies. The police forces consisted of a few men with

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pistols. There was a real fear in the White House that a couple of these small states could be taken over by the left and start a chain reaction. The CBI was very sensibly conceived as an effort to promote private sector-led, sustainable economic growth and development, but the impetus for the initiative was US national security.

A central objective, led by the White House and actively support by State, AID, Commerce USTR and other players, was to get US industry to make investments in the region, particularly in assembly industries. Early on, Haiti was a success story in this area. Rawlings Sporting Goods was making baseballs, soccer and basketballs, and hockey equipment actively collaborating with the US Government effort to attract more firms. Sperry topsider boat shoes were also made in Haiti. Jamaica and Barbados attracted garment assembly plants and had contracts for voucher and data processing.

Q: There were issues though about being able to export to the United States. Was that an issue or not?

BROWN: At that time, no. People weren't worried about that; they were worried about trying to stabilize these shaky societies. Plus, these were very small states, and the AFL-CIO hadn't yet seized the export of US jobs as a serious issue. It wasn't until the latter part of the Bush Administration that this became a major issue. Thanks to "60 Minutes" it reached a crescendo just before, and contributed to, the election of President Clinton. AID took an awful beating in the media, orchestrated by a splinter, left-wing US labor that wasn't even in the mainstream of the AFL-CIO. In the early 1980s however, this was not a problem.

Role in the Central America Initiative

Q: Then you were there during the time of the Central American Initiative.

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BROWN: Yes. That was the most exciting experience I had in Washington, I played a role, albeit a modest one, in the formulation of the Initiative, its advocacy before the Congress, and directed AID's effort to implement the program. It was an enormous program..

Q: How much are you talking about?

BROWN: We ended up requesting 8.4 billion dollars from Congress.

Q: 8.4 billion dollars!

BROWN: That was the total commitment over a five year period. Initially, we wanted ten billion! Henry Kissinger had been named by the President to chair the commission to develop a plan, and very early on he asked Peter McPherson what AID thought was needed. McPherson asked me and I tasked Peter Askin, my creative and conceptual Office Director for Central America, to come up with a cost estimate and framework to put Central America on a self-sustaining growth path. We estimated ten years and a US contribution of \$10 billion would be required to undertake such a social, economic and political transformation. We reviewed our proposal with McPherson and he OK'd it. At some point McPherson, Askin and I went to see Kissinger in a small conference room on the west side of the State Department. Kissinger, in his gravely voice said, "What do we need?" And I said, "Well, we need a ten year program supported by \$10 billion dollars." Kissinger's reacted negatively. "Too long!" he growled. He scoffed at our proposal and said Congress would never put up with a ten year plan; they would lose interest much sooner than that. "Three years," he said. We said that three years was unrealistic, that you couldn't hope to accomplish such an undertaking in three years. So we went back and forth and finally agreed on five years. That was half as much as we thought was necessary but much better than three. In retrospect, it was really all we needed.

Q: Five years and how many billion?

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BROWN: \$8.4 billion. That was the price tag that was eventually worked out and requested from the Congress. Kissinger was right, of course; Congress did lose interest within three years, but by the end of five years we had set in motion the positive economic and political forces necessary to propel the initiative toward success. And it actually did take ten years to reach what could be considered successful. Of course, several of the countries still have long way to go in economic terms, but they are moving ahead on a sustainable growth path.

Q: How many countries were involved?

BROWN: All of Central America. Panama through Guatemala, including Belize. (Of course, Sandinista-controlled Nicaragua, which had been the threat which led to the Initiative in the first place, did not share in the benefits.) And it was designed to restore and strengthen democratic government and to bring about sustainable, private sector-led economic growth and development.

Q: How do you do that?

BROWN: Well, the countries were all experiencing similar economic problems. After borrowing excessively from the commercial banks in the '70s to live beyond their means, now they couldn't pay their debts and were facing a financial crisis. Internally they also had large budget deficits due to domestic over spending, plus the economies suffered from overregulation and overregulation and involvement by the governments. So the first part of the US plan focused on economic stabilization, through massive balance of payments support and some modest reform conditions. And then as the stabilization took hold, the economic liberalization reform provisions became more rigorous and the disbursements were harder to get as we moved into the economic growth period.

In parallel with the macroeconomic stabilization effort, we were also targeting resources on basic human needs: education, health, agriculture, and small enterprise and private

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sector development. We had designed investment and reform program for each of these sectors in each country. We also carried out labor-intensive infrastructure construction and repair programs to reduce unemployment in the short run, particularly in El Salvador. We also had all kinds of training programs, increased credit for agriculture and increased credit for small business lending throughout the region. So we really had large scale infusion of resources. And in some cases, such as Salvador, it was absolutely crucial because Salvador was on the suspension list of the World Bank and the IDB. We were the only source of money they had. And had we not been there, they would have certainly collapsed.

After having been away from the region for six years, I was delighted to see when I came back in 1991 that the Central America Initiative, now renamed the Program for Peace, Democracy and Prosperity, or something like that, was working. You had freely elected democratic governments in every country. You had economic stability. Countries were financially solvent. They were able to meet their balance of payments requirements and were moving along at various degrees of growth. The standard of living for the lower income groups had improved; local government programs in agriculture, education and health were reaching out and benefitting an increasing proportion of the population. The levels of private sector investment, exports-and particularly nontraditional exports-and employment were up sharply. And the threat of Communism was long since gone and the Sandinistas had mellowed and been voted out of office. To my delight, and some surprise, the effort had worked.

Q: Who got the most money? How did the money get allocated?

BROWN: Salvador got the most money. Because they were the country that was most politically vulnerable-and engaged in a civil war. It wasn't just a threat there, it was an insurrection. Both the IDB and World Bank had suspended new lending to Salvador.

Q: What was the strategy for El Salvador in terms of use of the funds?

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BROWN: To win the hearts and minds of the people, to coin a phrase. The idea was to provide employment and increase incomes for the people to undercut support for the insurgents and to gain support for the government. Fortunately, there was a populist leader from the Christian Democratic Party who was president at this time, Napoleon Duarte. He was also a graduate of Notre Dame. He came out of the labor movement and was able to combat the left quite effectively. Unfortunately, his party was rather corrupt. Nevertheless, the US supported him strongly, and he got the masses voting on the democratic side. Duarte died of cancer after a few years in office. But the left had been undercut and eventually its candidates were defeated in the presidential elections in the mid-80s and the right-of-center candidates were elected-and reelected.

Q: What about some of the other Central American countries? Costa Rica had graduated by this point. How did they get back in?

BROWN: They got back in because they were the most financially over extended. Per capita they had borrowed the most from the commercial banks-because they were everyone's favorite democracy. They had the reputation for being the most advanced, enlightened Central American country, with the brightest people-the Salvadorans would rightly challenge that, the best democracy and no military. So, during the 1970's gogo years of US commercial bank lending to Latin America, all the banks wanted to lend them money. Well, it turned out that the Costa Ricans were not the best economic and financial managers. And by the early 1980s they were facing massive foreign debts that they could not pay. They had to seek rescheduling from their creditors. Bank of America was the lead bank.

I attended a meeting in New York with representatives of all the US banks involved. There must have been fifty banks represented. I was there to assure them of the large scale US financial support that would be forthcoming if they could reach a rescheduling agreement with Costa Rica. Each bank had its own lawyer. What you needed was one rescheduling agreement they could all agree to; but in this first go-around, each bank insisted its lawyer

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had to draft, or craft. the agreement. So you had fifty lawyers each trying to protect his client-and of course earn his fee as well. For most of the day it was absolute chaos. Finally they agreed that they had to hire one law firm to represent all of them. I thought if this was the best of the US commercial banking sector in action, maybe AID wasn't so bad an organization.

Q: This was a rescheduling agreement?

BROWN: This was to reschedule all this massive debt with Costa Rica. Of course, they all had a common interest, but nobody wanted somebody else's lawyer to represent him. The first year was a real mess, until they could finally work out a way to reduce the number of lawyers involved.

Q: What were the AID funds used for?

BROWN: In this instance, the bulk of them were used to repay the rescheduled debt. That is what balance of payments/stabilization assistance does: it helped a country meet its foreign obligations.

Q: I see. But that generated a lot of local currency. What was that used for?

BROWN: That's a long story that you would need to ask Dan Chaij about. Dan was our director in Costa Rica in the early 1980s. He used the local currencies in the most creative ways known to man. Some of which was on the books, and some of which was not. One major use was to generously endowed an excellent private sector foundation, called "CINDE". They became advocates for private sector modernization and economic policy reform. They were also effective promoter of private investment in Costa Rica. Dan, who was born in Uruguay, raised in Latin America and was bilingual, was very close to both the leaders in government and the private sector. He negotiated a very favorable arrangement with the government which let him do whatever he wanted with the local currencies

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generated from the balance of payments assistance. He financed a great variety of useful activities, including a school and research center or subtropical agriculture.

Q: Were these projects that had to come to Washington for review?

BROWN: Only major projects, like the agricultural research school.

Q: Local currency projects were not reviewed in Washington?

BROWN: Normally we just approved the general areas for the use of funds, and sometimes, the allocations. Typically the countries themselves had a major say in the use of funds and so that was a safeguard. We didn't know that Dan had worked out a special arrangement in Costa Rica . They more or less gave him their proxy. Dan supported a number of very useful development activities, but he was a real risk taker; and ultimately got himself in hot water. Not as a result of his local currency allocations per se, but when AID's Inspector General did an investigation of Costa Rica, in response to an informal request from the US Senate, they turned up enough that it cost Dan his job. I should add that the IG report was disgraceful in my view. They did a real; hatchet job on Dan personally, accused him of all kinds of outrageous things. But when we got through rebutting 98% of the charges in the report, the remaining 2% still did him in. Dan was an extremely talented officer with a very creative mind, but was always pushing the envelop.

Q: Guatemala was one of the countries? What were you trying to do there?

BROWN: Guatemala was the most resistant of all the countries to social change. And until very recently, the most recent election, the government has always been run, directly or indirectly, by the military. It has been a repressive society. They have never taken AID very seriously nor cared much about AID objectives in their country. If AID wanted to spend its money to help poor people that was fine, but it wasn't going to change how the country governed itself. Essentially the elite ran the country for the benefit of the elite. They viewed their indigenous Indian population as a nuisance at best. So, Guatemala was

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not a major recipient. They had a problem of leftist guerrillas, but given the resolve of their repressive regime, the threat there was fairly minimal. With the recent very positive change in the government, and in the general political atmosphere in the country, Guatemala has become one of the largest AID recipients-but of a much reduced budget.

Q: And then Nicaragua?

BROWN: Nicaragua was the enemy. The Sandinistas were the ones who provoked the Reagan Administration to conceive of the initiative in the first place. If it weren't for Nicaragua you wouldn't have had the Central America Initiative. Similarly, I think it's fair to say that without the threat of Fidel Castro, 20 years earlier, you wouldn't have had the Alliance for Progress. Perhaps, they were a mixed blessing. Q: So we were supporting the Contras, were we?

BROWN: The US government certainly was. Honduras was the pivotal country because that was where the Contras were being trained. Here I have used the passive voice to avoid revealing any state secrets. Honduran President Suazo Cordova was a physician by training and a professional politician by vocation. Essentially he was prepared to do anything the US would say as long as we paid the bill. He was not one of Honduras' most distinguished presidents. When Peter McPherson and I visited Honduras, probably in 1983, we met with Suazo to talk about the AID program and pending ESF disbursements. Suazo almost got down on his knees and begged McPherson for more money. He had no dignity; he just wanted more assistance. He was not a great statesman. In fact, he wasn't a statesman at all. He was an earthy, former country doctor turned venal politician.

Q: What kind of program were we trying to promote?

BROWN: We had a program that was focused on helping the poor, strengthening the private sector and sound macroeconomic policy. Honduras had been a priority country in our Latin America program for years because of its poverty level. So we had a relatively large program in Honduras even during the BHN years of the '70s, with major efforts

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in health, education, agriculture, and small enterprise development. So in the 1980s we expanded and increased much of what we had been doing. We added a large farm to market roads program to provide access to market for small farmers throughout the country. We undertook an extensive village water supply and sewage disposal program, addressing a principal health problem. We had a big rural health outreach program, stressing preventive care. So, despite the fact that the Central America Initiative had been inspired by the threat of the spread of Communism in Central America, in Honduras we were working hard and with reasonable success improving the lives of and creating new employment opportunities for the poor.

Q: Were we supporting the Contras in Honduras at this time with the special task force or was that after your time?

BROWN: That came after my time. I was off in Egypt when that took place.

Q: I see.

BROWN: And that task force was a completely separate unit, apart from the AID mission.

Q: But that wasn't operating...that wasn't an issue when you were there?

BROWN: No. When I arrived in Honduras in 1991 the task force was gone and there was only an accounting problem over some bills that hadn't been paid. The mission was responsible for the residual accounting function for the task force.

Q: And then I guess Panama was one of the recipients?

BROWN: Panama was a recipient. However, I do not have a good recollection of any of the details of what we did in Panama.

Q: But then the eight billion dollars...was this all committed in the five year period?

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BROWN: That I don't know because I left the bureau in year four.

Q: *I see.*

BROWN: I left the bureau in 1985 to become Counselor to the Agency. I'm not sure whether the full \$8.4 billion was appropriated and committed in five years. I suspect it took a couple of additional years. For several years both Salvador and Costa Rica were each getting \$200 million per year in stabilization assistance. So the funds were certainly flowing at a rapid rate.

Q: *What do you think was the impact of this in terms of achieving the political objective?*

BROWN: Highly successful. The financial instability that threatened Costa Rica's democracy was overcome and the country adopted a set of sound economic policies. Salvador is an even more dramatic case. The civil war was ended; the left has regrouped as a political party. Free and fair elections have been held on a regular basis, with centrist, pro-democracy parties winning every time. Economic opportunities and the benefits of growth have been spread widely among the lower income groups. Throughout Central America there is a widespread consensus in support of market-based economies and democratic elections on a regular basis.

Oh, there is an anecdote I wanted to tell regarding Costa Rica. It concerns how the US Ambassador got fired for supporting AID. This was when Dan Chaij was Director in Costa Rica. We had a very carefully conceived negotiating agenda for economic policy reform encompassing a variety of stabilization and deregulation measures. Compliance with the conditions would give them a disbursement of two hundred million dollars. And Dan had the full support of his ambassador, Curt Winsor, a very wealthy, very conservative political appointee. (I knew Curt from a former incarnation when he served on the board of the Partners of the Americas, a very effective NGO which the LAC Bureau had supported over the years.) Meanwhile, Tony Motley, who was the Assistant Secretary of State wanted

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it disbursed yesterday. The Costa Ricans called Motley and say, "We need this money. Screw all those conditions." So Motley said to me, "I want that money disbursed." And I said, "I do too, but they have to meet the conditions." He said, "Damn the conditions. We want that money to get down there." I said there were important reasons for not disbursing until they enacted the reforms reflected in the conditions, but that we would certainly take his view into consideration. I then called Dan Chaij on the phone and told him what was going on and asked if he could build up any support with his ambassador. So, Dan persuaded Curt Winsor to draft a very strong cable saying something to the effect that it was fundamental to US interest that this money not be disbursed unless the conditions were met. Well, of course that didn't go over well with his boss, Assistant Secretary Motley, and within, a short period, Curt Winsor was out of work over his support for doing the right thing.

Q: Why was the Assistant Secretary so determined to spend the money?

BROWN: I suspect because he had been called by the President of Costa Rica and had promised the President he would solve his problem. I thought Motley was a delightful character, but he was also a hip shooter. He was quick to make decisions. I got to know him on a trip to Brazil in the early 1980s when he was our ambassador to Brazil. I went duck hunting with him and the AID Rep in Brazil, Sam Taylor. Motley was raised in Brazil and spoke idiomatic Portuguese; he went back as a political appointee as ambassador under President Reagan.

Q: I see.

BROWN: I don't know quite how to describe him. He was outspoken and irreverent and had a marvelous sardonic humor-often directed at some of his stuffy State staff. In Brazil he was famous for going on TV and debating Brazilian politicians in sometimes earthy Portuguese. I believe those in State who take themselves most seriously would describe

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Motley as “colorful.” He was action-oriented, wanted to get things done quickly and liked to put deal together. He was a “man's man.”

In any case, when he came to Washington to become Assistant Secretary, I was the acting Assistant Administrator, and we had a good relationship-on everything except this Costa Rica disbursement problem. His position was, “Damn it, I want this done now.” Tony, I'm sure, thought he could intimidate me into disbursing, which was his normal style. But I knew he would have to get Peter McPherson to direct me to make the disbursement, with the conditions unmet, and I was pretty sure McPherson was not likely to do thaSo I told him somewhat apologetically, “I don't think we can do that., noting that his ambassador opposed disbursement.” Motley couldn't believe it. He definitely was not accustomed to and did not like people going against his decisions, so he took it out on Curt Winsor. Curt was in that far right, anticommunist camp closely connected to the White House and Ollie North. That group had had a recent dust up with Secretary Shultz over whether the latter was sufficiently hard line, so I think Winsor was already on thin ice as far as the Secretary was concerned. Motley played golf with Secretary Shultz every week and I'm convinced he used that opportunity to get his licks against Curt. Shortly thereafter Ambassador Winsor was no longer ambassador. Too bad, Curt was a very decent guy who had stood up for what was right. We held to our guns by the way; we didn't disburse until the Costa Ricans met the conditions.

Q: This was your last period in the LA bureau. Were there any other major programs at that time, that you were trying to promote?

BROWN: Well, I believe we were reasonably successful in stimulating the private sector and in strengthening markets. We asked each mission to develop a strategy for stimulating private sector activity, not so much by investing themselves but by promoting the right sets of policies that would attract private investment. In some cases missions organized or strengthened investment promotion agencies and seed financing for new investment parks for labor intensive industries. Many missions provided financial support to local

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private organizations to expand small enterprise lending operations. We were particularly successful in Honduras in this latter area. To this date, the lending program there is reaching a larger number of small borrowers every year. Honduras was also the site of one of our significant failures in the 1970's-a pair of agricultural sector loans that we far too ambitious, far too complicated.

Q: This was the integrated rural development approach or not?

BROWN: It went beyond that. It was a complete solution to all of Honduras' agricultural problems. You can trace the origin of the problem to the big ego and arrogance of the Honduras Mission Director, Jack Robinson. The project paper conceptually was a beautiful piece, a tour de force of how much he and his agriculture chief, Bill Jansen, knew of how agricultural development worked-at least theoretically. That's what it was, all theory. Everything was obviously connected to everything else in the sector, so to help the small farmer you had to work on every variable-research, training, extension, credit, marketing, institution building, rural roads, inputs, land, storage, policies, etc. It sounded beautiful, but it was far too complicated. I chaired the review meetings for this project in the late 1970's when I was DR Director. I tried my best to turn it down, but Jack Robinson-supercilious as always-had an answer for everything. Plus the whole program was rationalized in terms of helping the rural poor-the most sacred group of the Basic Human Needs mythology. I reluctantly approved the project, convinced it would never work, notwithstanding the elegance of the argument in the project paper. I was right; it didn't work. Honduras was a poor country with a weak human resource base. They didn't have the technical or managerial capacity to do all the things they were supposed to do. They certainly didn't have the will to make the reforms they were supposed to make. Nor did they have the leadership necessary to mobilize support for market-based reforms or take the other actions that were needed. It was an important lesson: grandiose, theoretical schemes may sound persuasive on paper, but without the necessary human resource capacity, committed leadership and political will, they simply will not work. When I went back out to the field, I was careful in both Egypt and Honduras not to overcomplicate the design of

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new projects. We tried to be sure our goals and objectives were realistic and manageable- by us and by the host country.

Q: Well, maybe you want to come back to that area later but you finished up then, after a long career in Latin America, in...?

BROWN: Actually it was 1985. The reason for my long tenure in Washington was that mdaughter was hearing-impaired, and I wanted her to get the best possible education in the US. So I managed to finagle ways to stay in Washington for a record setting number of years.

Q: So then...

BROWN: There was a certain advantage of somebody, me or somebody else, having continuity in LAC/DR. Someone needs to build the organization, provide leadership, recruit and coach good young officer, set the standards and values, and create the traditions. In many ways Ted Lustig did this in the projects office in the Near East Bureau. He was a legend. In contrast, the Africa Bureau abolished its projects office at one point, and I believe the bureau's program suffered as a result for a number of years. So, one of the benefits of my staying in Washington for so long was the consistency and continuity in the management and direction of LA/DR, the Latin America Bureau's projects office.

Q: Good point. So then you moved on to what from there?

Assigned to the AID Counselor position

BROWN: Peter McPherson asked me to take on the AID Counselor's job in the summer of 1985, and I held that position two years before he asked me to go to Egypt.

Q: What was the nature of that job?

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BROWN: It was a strange job in many ways. It looked better on paper than it really was. It was the number three position in the agency and the senior career job, but it was not the most satisfying two years of my career. Largely because you had some of the political appointees resenting you or wanting to undercut. So if you couldn't work out a personal relationship with them you were going to have real difficulty advancing a proposal or initiative. I did a variety of things for McPherson: chairing the monthly budget obligation progress meetings, conducting the bureau management reviews, filling in for him, speaking in his stead at various gatherings; authorizing those projects that came to the front office for approval, including a billion dollar cash transfer to Israel. I became his representative to the BIFAD, the land grant university grouping which advised AID on agricultural development-and on how to give more money to the US universities. I also became his person dealing with the PVO community and the cooperative groups. Basically things that he could delegate safely to me, knowing where I was going to come out and that I was not going to get him in trouble politically. These were also activities that I felt comfortable with. I tried one initiative in support of the private sector and was summarily cut off at the knees by the political appointee head of PPC, Dick Durham, a right-wing extremist who had originally been hired as General Counsel, and then, in one of his two worse political personnel assignment, Peter McPherson moved Durham to PPC to be in charge of policy and budget. (His other terrible political personnel choice was Frank Ruddy to be AA for Africa.) Several of Durham's detractors thought he bore a resemblance to Adolf Hitler. Some thought his interpersonal style, or lack thereof, reinforced the resemblance. I believe he had formerly been a lawyer representing the funeral industry in Washington State-the obvious source of his charisma. I also drafted a strategy for addressing the advanced developing countries question. One particularly satisfying experience I had was when Jay Morris, the Deputy Administrator, got sidetracked with something and I was able to chair the bulk of the senior executive assignment meetings (known then as the EPAP process). I thought I helped foster good decisions on who

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got placed where, and who got rewarded and who didn't. I felt good about that as a contribution to good agency management.

Q: There wasn't a lot of politics involved from on high on who should be advanced or not?

BROWN: No, there really wasn't. Basically I knew who Peter thought were good officers, who he liked and didn't. I took that into account and had no problems..

Q: But you didn't have White House interference?

BROWN: No. They didn't care. We may have had two or three political types the White House placed. If McPherson agreed, they were placed. A small price to pay for political peace.

Going back to Latin America for a moment, I had a major disagreement with Jay Morris over someone he wanted to put in the LA region as a director. The individual had served as director in several Africa missions, was fluent in French and trained as a lawyer. Jay told me he wanted this guy in Latin America. I read his file, and saw that he was very controversial and seemed to thrive on conflict. I said, "Jay, he is going to be a real problem. He is not going to work well in the LA Bureau." Jay said, "I don't want to hear that; I want him in Latin America. I want him assigned to Panama." "OKAY, but it's not going to work," I said. He said, "He's going to Panama." "All right, fine. He's going to Panama," I said.

So the individual in question learned Spanish and went to Panama. Within two years he was PNGed by the US Ambassador for appearing on the front page of the newspapers with a mistress-and not his wife. It seems that our director had antagonized so many influential Panamanians that they purposely embarrassed him in the press. Mistresses are certainly not uncommon in Panama, but they generally are kept out of the public eye. They made an exception for our man in Panama. I never said to Jay, "I told you so." Nor he did acknowledge that he had made a mistake. I knew it wasn't going to work. This individual

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was arrogant and antagonistic and not a team player. There had been trouble everywhere he went, and Panama proved be no exception.

As you may recall, Jay Morris' two preoccupations were power and appearance. Both his personal appearance and appearance or image per se-as opposed to facts or the underlying reality. That fact led to the unraveling of the LAC Bureau. In our quest for excellence LAC tried to attract, promote and retain the most talented officers in the agency. We also sought not to attract the least talented. It also meant we had a stable of Spanish-speaking, culturally sensitive staff who could be transferred quickly from one assignment to another to meet new and changing priorities. Unfortunately, outside the bureau, there was different perception. Personnel found it difficult to get LAC staff to bid outside LAC. And those less talented souls who had tried unsuccessfully to get into the bureau were quick to grouse that LAC was a closed, "old boys" club. Jay was quick to pick up on this perception. He also resented that LAC staff tended to look to me rather than him regarding onward assignments. So to demonstrate his power and to create a better image, he decided he would break up the bureau. I often argued with him, saying what he ought to be doing was trying to build up the capability and pride of the other regional bureaus-not tear apart LAC. I told him to encourage the other bureaus to go after former Peace Corps Volunteers and area specialists who spoke the languages of the region, and create other bureau people wanted to get into. He didn't buy that approach. After I left LAC, Jay set about transferring key people out and bringing in new people from outside the bureau. LAC/DR in particular was trashed. Weak, disinterest new leadership changed its character entirely; its tradition was lost. Jay got the image he wanted; in the process he destroyed some very valuable substance.

Q: What was your understanding of McPherson's views of development and his management of AID?

BROWN: I believe Peter will go down as our greatest administrator. He took over at a time when we had become marginalized to the point of being viewed as a public sector

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PVO; he brought us back; he made us relevant again-with the State Department, with the international lending agencies and with host country financial authorities. AID once again become a player-perhaps a minor player, but a player nevertheless-in the foreign policy arena. We were the US government's major foreign assistance agency, Peter also gave us a sensible policy framework and set of directions. As a person, he was unique. Nobody could work harder than he could. He was prepared every day of the week to address the issues taken up at the Secretary of State's daily senior staff meeting. He knew the major issues, and the leaders, in all of our major AID recipients throughout the world. Though he was not the most eloquent or articulate speaker, he cared deeply about economic development, about AID and about the career people in AID. He inspired people to work hard and do their best. Of course, he was not without flaws. I mean, as you may recall, he overextended himself and AID in every possible direction. There was never an item he couldn't find time to get into.

Q: He didn't have priorities...

BROWN: No. To him, everything was a priority. He was a driven man who worked seven days a week throughout the year. He didn't need much sleep, had enormous energy and would often spend the night in his office working and napping. He just made time for whatever he wanted to get into. Despite the lack of priorities, he gave us a sensible policy framework, which he called the Four Pillars of Development-policy dialogue, institution building, private sector, and technology transfer. Never mind that there is a certain lack of elegance in the four dissimilar elements. The problems of development are broad, varied and complex, and the four pillars provided us the scope and flexibility to do almost anything you wanted to do; and thus we could be very relevant when a new crisis arose.

Ironically, despite his being a loyal Republican, I think he was the least effective in private sector development. On the appearance side, he created a new private sector bureau, PRE.

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Q: What did you think about having a PRE bureau to deal with?

BROWN: Well, first, we didn't need a private sector bureau; and second, it was next to useless. LAC was the leader among the regional bureaus in promoting private sector development, and I remember telling both Peter and Jay, "We don't need PRE. This is a dumb idea. You have to get the private sector mentality imbedded in the regional bureau and the missions. That is where the action is, and that how you'll get private sector development. Forget PRE." And they would agree with me privately and say, "Politically we can't afford to cut it out. It would send a bad signal to the Hill." First, they created this monstrosity, largely for appearances purposes, and then, they couldn't abolish because of the appearance problem that would create,

Q: What did you think about the PRE Bureau investing in private enterprise?

BROWN: Their basic problem was that they focused on flashy projects rather than fundamental problems. They were running around the world doing anecdotal activities that would make them look good as an organization. They didn't look at a country's private sector problems from a strategic sense; they just looked for a few targets of opportunity that would make them look good-at least they hoped. As I recall they spent an inordinate amount of time working on some bank in Thailand. Few, if any, of their projects had any significant or lasting impact.

Q: Do you think an agency can do that sort of thing well?

BROWN: Well, for years OPIC had been doing much of what PRE was trying to do-and doing it much better. To the extent that PRE was trying to support local private sector activities, they were simply duplicating what our missions were already doing in LAC. We were constantly at odds with PRE. We told them, "We don't need you in our region. We can do it better than you can." The conflict reached the point that McPherson called us all into his office: Elise Dupont, the AA for PRE, Otto Reich, the AA for LAC, and me, Otto's

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deputy. Peter said, "I want this battling to stop." Now I have to confess that I was largely behind it, pushing Otto to give PRE a hard time a senior staff meetings. Peter really came down hard on us-not on her. I sat there quietly and Otto did too. We protested a bit, but he really chewed us out but good. At one point McPherson told Otto that if this conflict didn't stop he would have to find a new job for him. It didn't seem to bother Otto. So, as we were walking down the hall back to our offices I said, "Wow, he really let us have it." And Otto said, "What do you mean?" I said he really chewed us out." Otto quipped, "Hey, I've got more ass that he can chew." He was unfazed. He remarked, "You know, McPherson is really a very decent guy; he offered to find me another job!" Otto always saw the upside to any situation. After that encounter we declared a truce on the PRE Bureau and let them do their thing. I thought we did a much better job of really getting into the fundamental issues you had to deal with to make advances in the private sector. That involved policy change, deregulation, an attractive investment climate, risk capital for new ventures and nontraditional export activities, among other things. That approach was too time consuming and complicated for PRE.

Q: Were there other dimensions to your two year assignment that stand out in your mind? Did you in all this process have to deal with Congress a lot?

BROWN: Much less than when I was in LAC. Primarily, I used to provide advice to Peter and Jay on their testimony and suggest how they might best address present certain topics and issues.

Q: But during you LA experience how did you find dealing with Congress?

BROWN: It was fascinating. I was up there a lot, arguing the case for the Central America Initiative, which took us two years. They didn't fund it the first year. It took two years to get approval from Congress. It was very difficult because the post World War II coalition of liberal humanitarians and conservative anticommunists, which had been the backbone of AID's support in Congress, had split apart over Central America.

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The Central America Initiative was a cold war, anticommunist initiative, and the humanitarians and liberals, led by Senator Dodd, were trying to put a stake in its heart. They saw it as an anticommunist right wing crusade, and they wanted no part of it. And Senator Dodd tied the Executive Branch up in knots with requirements on certifying that everything in Salvador met certain standards before we could release funds. It was interesting to watch how much time that State spent jockeying with the Senate Foreign Relations Committee to keep the initiative alive. The liberals had cleverly created a "Chinese water torture" of human and civil rights certifications, an overlay of delay and complexity designed to frustrate the US effort. Many of the certifications that State had to make regarding human rights, of course, stretched the truth considerably. It's a good thing that a diplomat is defined as one who is paid to lie for his country. Of course, most of these certification requirements were unreasonable, if not ridiculous, given the fact that Salvador was fighting a civil war.

In terms of communications with Senate staff, this was a very frustrating period for me. The staffer accurately reflected, and in many cases shaped, the views of their principals, the senators. I would meet with some of the staffers in the Senate Foreign Relations Committee, and they just wouldn't want to hear anything good about what we were trying to do. They just dismissed it all as a right-wing, anticommunist initiative, and we had no dialogue with them even though they were people who believed in development. I had a little better rapport with their counterpart in the House, where I was able to talk with the House staffers who opposed the initiative. I was able to get through to them, and they could see the merits of what we were trying to do; but they didn't like the initiative overall.

One lesson I learned is that, in this day and age, if you are a career person you really don't want to be an Assistant Administrator-unless you have some powerful political support you can turn to when things get tense with the Hill. In politics they don't play fair. Personal attacks work, and if you don't have any political base to support you, you are in real trouble. You are much better off with a well-connected political appointee who has some

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patron saint or has some connection with the party someplace so that when he needs to get tough, he can be tough; he has the political support behind him. A career person can get tough but he has no support. I also learned that Peter McPherson, who was a great supporter of the career staff in AID, wasn't going to use up scarce political capital to support a career person if he was in conflict with a heavy weight on the Hill. However, he would try very hard to take care of the people he respected, one way or another.

Q: So he was a very political animal.

BROWN: Yes indeed. Peter was very political. His survival instincts were extremely well developed. They had to be because I don't think he was really all that well connected politically. He had worked long and hard for the Republican Party, and was rewarded according, but he didn't have a powerful political patron he could call upon either. But from both the career perspective and an overall assessment, I believe he will still go down as our greatest administrator. He energized a whole generation of mid-level career AID leaders. He put them in key positions as DAA's and mission directors and office directors. He excited and challenged them; frequently he frustrated them; sometimes he drove some of them to exasperation; and overworked a few of them to the point of exhaustion.

But he really inspired and conditioned this senior staff to the point that, when he left and we subsequently entered the "dark ages" of Ron Roskin's rule, the career staff kept working hard despite the lack of leadership or direction. They knew what to do; they had the framework, the agenda and the work ethic. Never mind Administrator Roskin. Who needed him? They didn't in the LAC bureau, and I didn't Egypt. We were doing our thing because McPherson had set us on course.

One of Peter's lasting legacies is having provided AID with the internal guidance system and the where-with-all to survive the awful period after Alan Wood died and Roskin took over and implemented his benign neglect style of mismanagement. Another factor that was very important to sustaining the agency during this difficult period was the leadership

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and management training program which all senior executives and most mid-level staff had gone through during the latter half of the 1980s. These courses were designed and conducted by a firm called TRG. They were excellent. They gave the staff a sense of vision, helped to create organizational values and fostered teamwork and collaboration. This common framework and constructive approach to problem-solving contributed significantly to AID's ability to manage and lead itself absent meaningful direction from the top.

Administrator Roskin notwithstanding, many parts of the agency were busy at work, getting results, and feeling good about what they were doing. That was much more the case in the field than in Washington, and it was particularly true in Egypt, where we had our own Congressional mandate. People were certainly not feeling good about the trashing we were getting in the media or from the IG, or about Roskin's lack of leadership; but they were feeling good about the development results they were still achieving.

Q: All right. Let's move on to Egypt..

Opportunities as USAID/Director in Egypt - 1987

BROWN: In 1987 I went back overseas as director of USAID Egypt, the agency's largest program.

Q: How big was the program?

BROWN: \$815 million per year of ESF was mandated by Congress, as part of the Middle East peace process. We also had almost \$200 million in food aid. The bulk of the ESF was supposed to go for projects, built by US contractors; a smaller amount was for a commodity import program, to provide Egypt with essential imports from US suppliers; and a much smaller amount for a cash transfer, to give the Egyptians a little cold cash and AID a small level to try to move the government in the reform direction. The Egyptians greatly resented this arrangement: the flow of funds was slow, and highly controlled as to

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how the funds could be used; and they saw accruing to US firms. In contrast, the US gave Israel an annual cash transfer of one billion dollars. Given Egypt's underdevelopment and socialist proclivities toward wasteful spending, the asymmetry in how the two countries were treated made eminent sense-at least to everyone but the Egyptians. The requirement to spend the annual \$815 million in ESF or else imposed a unique kind of burden. Most country missions were desperately in need of a few million dollars more in their programs, and I inherited one that had a budget of almost a billion dollars, and I had to spend it all. That made it very difficult to do serious policy reform. Moreover, the Egyptians knew very well they had gained an entitlement, as a result of the Camp David Peace Accord. They were very well informed about our political system, and had an effective lobbyist working the US Congress. For ambassador, I had one of State's most talented and skilled diplomats, Frank Wisner. One of his basic directives was to insure Egypt continued to play a constructive role in the peace process, and that meant not antagonizing them-unless absolutely necessary. Frank was very supportive of the AID effort and knew that Egypt needed to reduce state control, introduce market pricing and mechanisms, and reduce the role of the state in the economy.

He was fully supportive of me as long as I didn't push policy reform to the point of antagonizing the government. Thus I had to devise a sector reform program in the energy sector that offered a bonanza of financial assistance to the energy minister if he would move the highly subsidized price of energy along a path toward market rates. I made him an offer that he could hardly refuse. There was still the risk that if they didn't raise rates and we didn't disburse, President Mubarak would become incensed, pick up the phone and call Secretary Baker, or try to call President Bush, to complain about this AID guy that doesn't understand the nature of their entitlement and the importance of their continued support of Middle East peace. In effect, there was a line in the Egyptian sand that I didn't want to cross.

Q: Did you go out there with some particular mandate that they wanted you to address?

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BROWN: Well, like the physicians, my first commandment was to do no harm. That is, do not screw up this enormous program. Because it was so big, and so fraught with potential for mistakes, I had to be sure the program was well managed. We had about seventy projects, broadly defined. One of them, the Cairo Wastewater Project, had an \$800 million AID contribution. We had many projects in the \$100 to \$300 million dollar range. Our undisbursed pipeline was around two billion dollars. All things considered, I believe we did as well as you could hope to in avoiding major mistakes or vulnerabilities. It did not help that we had an Inspector General's office full of auditors working in our building, reading our daily file and looking for any string they could pull to unravel something.

My second mandate was to find ways to increase the amount of policy reform we could get out of the program. As I said, this was hard because we still had to disburse the funds every year. Half the annual program was financing import needs and half went for projects, and the bulk of project funds went for infrastructure-water supply, sewerage, power generation and school construction. And those projects went very well in terms of doing what they were supposed to do. The water supply and sewerage program was both in Cairo and throughout the country. We also had a major primary school construction program. There was a great deficit in primary school facilities, and we had reached the point where we were completing a school a day-360 schools a year. Everyone, even President Mubarak, who was skeptical of AID, thought this was a great program. He attended several inaugurations-and took full credit, of course. Ambassador Wisner thought it was great, though he wanted to diddle with the architecture to include the Moorish arch, which we finally incorporated. There was a visiting NBC News who interviewed me as we walked through one of the school. It was a very favorable story which was broadcast on the morning "Today" show. The schools were built by local contractors, and were very inexpensive to build.

Q: Did they have the teachers and the resources to maintain and operate these schools?

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BROWN: They had plenty of teachers. The Egyptians have a surplus of people, and a surplus of government employees so that was not a problem. The question of resources to maintain goes to the heart of one of Egypt's most vexing problems-maintenance, or lack thereof. Because of that, in addition to providing educational materials and training teachers, we also trained inspectors in the proper operation and maintenance of the schools.

Just as I was completing my tour in Egypt our IG friends were engaged in an audit of the basic education program. Despite the success of the program, the increasing number of children in school every year, the simple, low cost two story structures and the popularity of the program with the government, the auditors managed to find some fatal flaws. They found a few minor cracks in the construction of some schools, some cracks in some sidewalks and a couple of bathrooms which didn't have running water. They took color pictures and put them in their audit report and faulted AID for mismanaging the program. Inspector General Beckington then had a negative press release prepared in Washington for the media. They manage to convert a few minor, easily correctable problems in a few schools in a program of nationwide scope into a "cause celeb". The wolves on the Hill express their outrage; AID leadership quaked at the reaction. The end result is that my successor in Cairo, Hank Bassford, ended up terminating the highly successful primary school construction program because of the political backlash created by the hypercritical IG audit report, and the malicious, political marketing of that report by Beckington to the Washington audience.

Q: What do you think was behind this IG's report?

BROWN: Well, I have my own theory, which is much broader than just this audit report. I believe Beckington really wanted to do away with foreign aid. For whatever reason, he didn't like it. Although he'd never admit it. He always professed sanctimoniously how he wanted to strengthen the management of the program. His auditors wrote hypercritical audit reports which trashed the program-all of course intended "to strengthen the

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management of the program". Sure they were. He hired a group of vicious, misanthropic fraud investigators whose mentality were prosecutors rather than investigators. They really believed that everybody was essentially corrupt until proven innocent. And it was just a question of doing enough investigation to get the goods on anybody. I had never seen a more repelling group on the federal payroll. They only saw the bad. The glass wasn't even half full to them, it was just a waste of water. They took pleasure in "getting" people. Clearly, there is a need for an inspector general in government operations, but the type of people Beckington brought together in the AID Inspector General's office were a perversion of this legitimate function. So, I think Beckington and his crew of auditors and investigators really discredited AID and enabled the scandal-hungry media to began the public trashing of US foreign assistance, during what I call the "dark ages" of AID, the Roskin period. Beckington did enough damage that AID lost its credibility and reputation- which is why AID has been teetering on the brink of extinction as a separate agency.

Q: What are some of the other programs in Egypt that you felt were significant that you were trying to promote?

BROWN: Well, the fundamental problem for Egypt was to raise the low productivity of the economy. This involved a broad range of activities, including price incentives to increase private investment and force public enterprise to become more efficient; reducing subsidies on interest rates and goods; and liberalizing the extensive controls over the economy. We negotiated increases in electricity tariffs, reduced subsidies on key food commodities, reduction of interest rate subsidies, and price and acreage decontrol of major food crops. In an effort to put pressure on public sector enterprise was to sharply cut back US support in this area. This was a monstrosity modeled on the Soviet system where the government does everything. The Russians had been deeply involved in Egypt a number of years under President Sadat and had taught the Egyptians how to nationalize and operate everything. I had inherited from our predecessors a number of projects supporting public sector enterprises. Most of them were highly inefficient, and probably

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hopeless as productive enterprises, and I got us out of those programs and shifted the focus of our support to a new private sector effort .

Q: We had stopped supporting government enterprise, but they continued?

BROWN. When AID went back into Egypt in the mid-'70s, the US party line was to help the Egyptians wherever we could. The massive public enterprise sector is where the Egyptians wanted our assistance to go. When I arrived in Egypt in 1987 the firms we were still supporting were losing money, highly over-staffed and inefficient, using outdated technology and depending on subsidies on inputs. AID was just another source of subsidy. After protracted and difficult negotiations, we also drastically reduced the proportion of the commodity import program which went to public sector firms. We would have gone even further except for the political pressure mounted by the West Virginia coal producers who had been exporting to the Egyptian Government for years under AID's commodity import program.

Other successful programs I would cite include water and sewerage, power generation and rate reform. As I recall, more than 20 million Egyptians nationwide benefitted from our water and sewerage investments. I also inherited a big irrigation program that was also nationwide in scope and working very well in terms of land leveling, dikes and water management technology. Unfortunately, we failed to persuade the government to implement their earlier commitment to charge farmers for the cost of water.

It turned out that free water was considered a fundamental right for all Egyptians, the life blood of the Nile Valley. We pressured them for four years, got close but couldn't get them to act on their promises. They just weren't willing to charge for water, notwithstanding the fact they desperately needed the revenue it would produce. And so after I left, my successor again had no choice but to terminate the almost ten year old irrigation program that had helped more than two million farm families. I might mention that my successor, Hank Bassford, had the benefit of having a new harder-nosed ambassador,

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Bob Pelletreau, who was willing to accept more unhappiness from the Egyptians than was Frank Wisner. I don't know if there had been a shift in the Washington's attitude toward Egypt, or Frank gave more importance than was necessary to the warmth of our relationship with them. In any case, Hank was able to get tougher with the Egyptians than I was. I would have like to have that greater flexibility.

Q: Were you involved in local development? The decentralization efforts program?

BROWN: Yes. It was a nationwide program intended to decentralize government services to the local and provincial levels. Local councils in each province selected, planned and carried out priority basic services projects. It was a very effective vehicle for improving municipal infrastructure, such things as water and sewerage, roads, clinics, schools, and municipal equipment. One of the secrets to its success was the \$80-90 million we had been providing every year for ten years to finance the local investments. One of the problems I found was that the advocates for the project within the mission were exaggerating its achievements. They were true believers in local development, and were not shy about claiming successes that hadn't gone beyond the concept stage.

Q: What was the main reason for its shortfall?

BROWN: Well, the Egyptian society is still evolving along a continuum, one that began some 8,000 years ago and still has a long way to go. Egypt had been a very authoritarian society, dominated by the central authority in Cairo, and more recently, and to a much lesser degree, bthe appointed local governors. The fact that local councils were successfully spending money on local projects did not mean Egypt had achieved grass roots democracy where informed citizens believed they had the right to, and were, managing and controlling local affairs. We had greater success in some provinces, or governorates as they were called, and less elsewhere. Governor Achmed Gouweli of the province of Damietta, was the chairman of the governors' committee that ran the local development program. He was a US-trained, bright younger politician, and a

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former military officer. He was the driving force on the Egyptian side. He saw the need for promote more participation, more local autonomy, more responsibility for providing and maintaining local services and the need to raise local revenue. But many of his fellow governors were hard line, former generals who saw their principal problem as defending against the inevitable Israeli attack. They were obsessed with national security and Israel. Most of them were really not equipped to be governors or politicians in a democratic framework; they came out of the command and control structure of the Egyptian military, and probably military intelligence. So, despite the best rhetoric of the mission's local development advocates, the environment was not entirely fertile for this kind of a grassroots effort. The other aspect that was oversold was local revenue mobilization. This is a crucial area for assuring local autonomy and financial strength. I think our mission advocates had been in the Arab world so long that they had slipped into the believing that "saying something makes it so." When I arrived in Cairo they talked as if local resource mobilization was a reality; when I left four years later, we were still negotiating with the central government over this proposal. Over more than a decade AID contributed about one billion dollars to the local development program, and made a significant improvement in the quality of government and local infrastructure in many of the Egyptian provinces.

Q: Are there other program areas that you were interested in?

BROWN: We had a very successful health program focused on child survival, control of diarrheal diseases and cost recovery in health care. Significant progress had been made in reducing child mortality from diarrheal diseases. As a result of an extensive education effort throughout the country, Egypt had the highest level of awareness, and of use, of oral rehydration therapy in the developing world. They had extensive coverage by the health system throughout the country, but the quality and efficiency of service left a lot to be desired. We also had a very large and successful family planning program, which generated a minor scandal. We discovered that some people in the health ministry were selling our donated condoms as balloons in upper Egypt. The problem was corrected, and

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the culprits punished; but the IG still did its best make this into a big scandal. Fortunately, it seemed to blow over without further repercussions..

One of the fascinating things about the country was the extensive information and communication systems they had in place These served a variety of purposes. For example, Agriculture Minister Yusuf Wali, was also a deputy prime minister and the chairman of the ruling political party, and he had his own intelligence network. Every day he would get a brief report from each province about what was going on. The local extension agents and the ruling party's local agent would prepare reports on the agricultural situation, peasant attitudes, political intrigue or unrest in the villages or other noteworthy events. So he could tell you what was going on in any given province or community based on his own feelers. Meanwhile, the government had three official intelligence services, just like the Soviets had. These three networks of intelligence services watched each other, and everybody else, throughout the country. They didn't bother us, but we knew they were out there keeping track of what we were doing.

Agriculture was a complex area. On the one hand we had made some important gains in reforming the state agriculture bank, reducing or eliminating subsidies on inputs and interest rates and removing government price controls on output. In addition, we were providing new technologies and unsubsidized credit to an increasing number of small farmers through a network of village banks. As a result, small farmers were increasing their productivity, raising their incomes and producing more food and other crops. On the other had, I had inherited a impossible project to assist the Agriculture Ministry to totally modernize itself-at a cost of \$300 million-and to refurbish everything from test tubes to ministry buildings. My predecessor, Frank Kimball, who was normally a tough, hard-nosed realist, had apparently given this extraordinary commitment to Agriculture Minister Wali. Now without doubt, Wali was the most liberal and modern-thinking minister in the government. In fact, I was go so far as to call him "extraordinary." He had an amazing intellect. A devout Muslim who had detailed knowledge of both Christianity and Judaism. Meeting with him was like talking to a mystic. I found him a delightful but rather enigmatic

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person. He was very pro-US and US technology, and he was the major advocate with the government for closer relations with Israel, an extremely sensitive political issue. He wanted to build bridges to Israel, and had undertaken a number of US-financed joint agricultural research projects with the Israelis in the Egyptian desert. He was highly regarded by the US, and by those who wanted closer Egyptian-Israeli ties. So for whatever reason, Frank Kimball had made him this awful commitment of three hundred million dollars to renew, refurbish, reequip and retrain his entire ministry. And I had to try to somehow extricate us from that enormous and wasteful undertaking. The project was far too big, focused too much on hardware, software and physical construction. It was a prestige project. Every Egyptian minister wanted to build his monument, and usually at AID expense; and mystical Minister Wali was no exception. The full name of the ministry was Ministry of Agriculture and Land Reclamation. This latter part of the name referred to the high cost quest to farm the desert by reclaiming land adjacent to the Nile Valley. This was a manifest destiny issue for the Egyptians. They knew it had to be done; costs were irrelevant. It was clear that the economic returns from our investment in this \$300 million agricultural monument were highly questionable. I also discovered that AID had financed the construction of large government training centers for nearly every minister in the cabinet. If I did nothing else, I put an end to that practice.

Q: This was for agriculture research?

BROWN: Everything—research, extension, administration. Everybody gets new offices, new equipment, new computers, new research stations, what-have-you. The ministry was not a dynamic organization. It was enormous and over-staffed. There were parts of it that were useful, and were a number of US trained agronomists and ag-economists. But too many of the senior professionals simply wanted the status and prestige their advanced degrees accorded them in Egyptian society; they did not want to do serious work. At the same time, however, they were very skilled at political maneuvering and intrigue within the ministry. And typically at the expense of the younger US-trained reformers who were trying

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to bring about constructive change in how the country managed this important economic sector. I finally managed to get Wali to agree to cut the project in half, to reduce it by half.

Q: How were you able to do that?

BROWN: Well, we had a couple of serendipitous scandals involving one of his key people involved in the project. I went to Minister Wali and told him that, "This scandal has reached our Congress, and to keep the project alive, we have to do some major surgery, to show that we are tightening up the management." That was absolutely true; I wasn't making it up. So he agreed we'd cut it in half, which was still too much. But one hundred fifty was a lot better than three hundred. I'm sure Egypt will benefit from the project, but not enough to justify \$150 million. The Egyptian agricultural bureaucracy was so set in its ways, and its member too concerned with appearance and with having the title rather than producing any useful results.

Q: I was going to ask you how did you find working with the Egyptians?

BROWN: A constant struggle. The Arab culture is quite different from Western culture in many ways. Interesting I found that several parts of the Latin culture trace their roots to the Arabs, courtesy of the Moors in Spain. Unfortunately, these traits are not particularly appealing. For example, being overly concerned with appearances, with status and prestige, with power and position-as opposed to merit, hard work and accomplishment. Putting personal connections and relationships above everything else-including rules and laws. Saying what the other person wants to hear, as opposed to the truth. Saying "yes" when you mean "no." Promising what you can't deliver; saying you'll do something you never intend to do; and thinking that if you say something, that is the same as doing it. Never being on time. Having a conspiratorial mindset. In Latin societies, these traits exist, but when you talk about them as a part of the Latin culture tends to create ambivalence or discomfort among Latins. In the Arab world, they tend to be accepted as basic aspects of the culture itself. These can be frustrating characteristics to deal with. And then of

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course, the Egyptians were master negotiators. And you could spend a lot of time writing an agreement, negotiating it, going over and over a provision and finally reaching an agreement and signing it. Then the next day they might come back and say, "We can't live with it. We have to renegotiate." There was never a bottom line. You could take it as high as you wanted; negotiate as long as you wanted, but you never could nail down something for sure. It might take them six months or a year, but they often would come back saying, "We can't live with that."

Q: Did you ever really understand what was behind this? Was it just they found something out or they just never really...?

BROWN: I believe it comes from a bazaar or trader-based culture, where haggling and negotiating is a way of life. They grind you down and then finally when you think you've got an agreement, you find you don't; and what they have agreed to they now tell you they can't do. So that was very frustrating.

I found that the best way around this problem was to try to concentrate resources on those few Western-oriented, modern Egyptians who would honor their word or agreement. People who had what we call "integrity." I'm not sure the Egyptians have an equivalent concept in their culture. Three ministers in particular were men of their word: Wali in agriculture; Maher Abaza in energy; and Fuad Sultan in tourism. These were honorable men in our terms; when they told you something or agreed to something, they would stick with it. One of the awkward things was this was not the case for the minister of public works, a gentleman named Kefrawi, who had responsibility for water and sewerage investments. Unfortunately, this was our largest area of investment. He was very much a traditional Egyptian. He looked like a large bear, was always eating, had a heart problem due to his weight. You were in the bazaar at all times when you were dealing with him. He had no idea what one's "word" meant. And whatever he agreed to was meaningless because he would undercut you later with no hesitation. We were constantly pushing him on raising water and sewerage rates to economic level, on getting competent staff to manage

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projects, and on not browbeating or harassing US consultants and contractors and not bringing frivolous claims against them.

Kefrawi was a coarse, traditional politician. He believed in getting all you could and giving nothing in return. That was very difficult for us because we had major, multimillion dollar investments in water and sewerage systems in both Cairo and Alexandria, and in the major secondary cities. These projects all involved numerous US consulting and construction firms. And these firms were often getting treated unfairly by Kefrawi or his agents, and of course if we couldn't resolve the problem, they went to their Congressmen. Unfortunately, Kefrawi had the confidence of President Mubarak, so he wasn't easy to deal with, even when I took Ambassador Wisner with me to protest his high jinks. Kefrawi was minister long before I got to Egypt and still in power after I left the country.

Q: Did you meet Mubarak?

BROWN: I met him on several occasions. But remember Egyptians are very status conscious. President Mubarak saw as his counterpart President Bush or maybe Secretary Baker. He met with Ambassador Wisner regularly, but Wisner was just an emissary to Mubarak. The AID Director was somebody he knew was in his country, but that was about all. He knew who I was, but he didn't pay much attention to the AID program.

Q: What kind of impression did you have of the man?

BROWN: I thought he was a real statesman. He was a visionary in foreign affairs and had a keen sense on how to govern his people. He was a very good politician. He really believes in peace in the Middle East and in working with Israelis. He was also a very cautious, suspicious person who, like most Egyptians, saw conspiracies everywhere. I don't think he had a clear concept of how to modernize Egypt. What he knew best was how to manage a socialist state where the government produces most goods, employs

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most people and subsidizes everything. The old joke about the Soviet system also applied to Egypt: "They pretend to work and the government pretends to pay them".

Mubarak didn't have a vision or didn't believe that you could take that interlocking structure apart without creating an upheaval from the fundamentalist right. So he was resistant, on almost every occasion, to the efforts by ourselves, the World Bank and the IMF to liberalize the economy. Typically his tactic was to agree to the idea, but argue for a much slower pace of implementation. Within his cabinet, ministers like Wali and Fuad Sultan would argue for faster paced liberalization, but they were the minority voices. I believe Mubarak feared that Egypt could not take off controls, privatize state enterprise and move toward market mechanisms without coming apart politically. In the years since I left Egypt, Mubarak seems to be moving more rapidly in the liberalization process. Privatization is now much more widespread. We launched privatization as a pilot effort while I was there, working with Minister Wali who was its strong advocate.

Q: Other observations on your experience in Egypt?

BROWN: Well, what was unique, and very satisfying, was that I was running an essentially autonomous mission. Frank Kimball, when he was AID Counselor and before he went to Egypt as director, had written into the charter that the director in Egypt had the same authorities as the AID Administrator. So, I had my earmarked budget, my congressional mandate and full authority to develop, approve and carry out my program. I really didn't need Washington other than to fill my staff vacancies. It was a unique experience; I thoroughly enjoyed it.

Q: Had they broken the oversight relation to the Near East Bureau?

BROWN: Yes. First, Brad Langmaid, the heavy-handed former DAA in the NE Bureau had moved on. And second, Kimball had made it clear during his three years in Cairo that the director runs the program without second-guessing out of Washington. And by the time I got there was no problem with oversight from Washington. I had visits from two Assistant

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Administrators, Julia Block and Carol Adelman each came out once; and they were happy with what they saw. Essentially, I enjoyed four years of not having to fight battles with Washington over money or policy direction. We had our direction, and there wasn't a lot of flexibility. You couldn't change the direction of the ship too much. There was room however to devise the energy sector program and to introduce a new private sector-based small enterprise program, the model for which I brought from Latin America. My otherwise-sensible staff assured me it would never work in Egypt. To their surprise, within a couple of years, we had AID's largest small enterprise program in the world. It was the largest because we had so much money to put into it to get it going. A pilot program in Egypt was still enormous by normal mission standards. We were providing a very significant amount of credit to small businesses, and filling an important gap in the financial system.

Q: Do you feel in that context where the political limitation of what you can do was so clear cut that the development program really was compromised much and maybe it would have been better to just give them a check, like we did with Israel?

BROWN: No. I believe that would have resulted in a real waste of resources. Despite the problems, I think we were getting a good "bang for our buck" in the major sectors we were working in. Power generation and rate reform, water and wastewater, agriculture reform, health and family planning, local development. We achieved things in these areas that the Egyptians couldn't have dreamed of-or bothered with. Left to their own devices, the Egyptians would have built water and sewerage systems that didn't work-they did that consistently during the years before AID went back into Egypt. When I left Egypt AID had provided the staggering sum of \$16 billion over the previous sixteen years. If this had all been in cash, Egypt would likely have become a totally subsidized, unproductive, hopeless socialist state that probably would have eventually followed the Soviet model into meltdown.

Q: But a lot of even the power sector and others were subsidized?

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BROWN: Not all. As a result of our power sector program, we had the government on a multi-year path of power rate increases towards market prices. We would only disburse if they had raised rates the agreed amounts. Fortunately, we had Maher Abaza as minister. An intelligent professional engineer, trained in Scandinavia. That was a success story. We also were successful in eliminating the subsidy in small farmer lending by the Agriculture Bank.

Q: That with the prospect of a sustainable program?

BROWN: That's right. Agriculture under Minister Wali was progressively moving toward market prices. And in the electric power area, Minister Abaza was raising rates to world market prices so that they could be self-sustaining in energy. That was a major achievement for them. Water and sewage was a much more difficult case. It was a constant struggle. To have moved the country on to a sustainable growth path, I would have liked to have been able to condition about \$300 million a year on internal reforms. Reforms that would remove state controls and regulations on markets and prices. I would argue that we were getting reasonably good development results from at least half the program. The other half should have been conditioned on the progressive liberalization of the economy.

Q: Well, that pretty much cover Egypt for the moment. What happened after you left Egypt?

Transfer to Mission Director in Honduras - 1991

BROWN: I was assigned as director in Honduras in 1991. Unfortunately the Honduras program has reached it pinnacle about 1989, at around two hundred million dollars a year. By the time I got there we were down to around \$125 million. What I didn't realize at the time was the budget would fall drastically over the next four years. The strategic political objectives of the Central America Initiative had been achieved; we had peace and

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democracy throughout Central America. Large AID budgets were no longer needed; there were only development problem left, and the US could live with them as long as there was political stability in the region. So for four years I presided over the progressive downsizing of the mission.

Q: What is involved in downsizing a mission while what you really want to be doing positive development?

BROWN: I found it a thoroughly distasteful-and depressing-experience. You have to decide what programs to sacrifice and which ones you will only slice portions off of. Then you find you have to cut the staff, lower and lower each year.

Q: Was this to phase out entirely?

BROWN: No. Just to take it down to a level which reflected Honduras' importance to the United States in times of peace-that is, when there is no threat from the left in Central America. And that turned out to be not too important.

Q: What scale are we talking about?

BROWN: We went from around \$125 million of ESF, DA and PL 480 food assistance down to about \$25 million in DA plus some PL 480 my last year. Now, given that Honduras was a poor country with a per capital income around \$600 which was undertaking policy reform to stimulate growth and investment and making progress in raising the standard of living for a the poor, we strongly argued the case that Honduras deserved more. But the AID budget was cut so deeply, the LAC Bureau couldn't afford more for us. The Bureau was on our side. They agreed we deserved twice as much, but just didn't have it to give. Of course top priority, and every loose nickel, was going to Haiti, to try to shore up President Clinton's ridiculous policy of "restoring democracy" to a country which had never had any in the first place.

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In any case, we got all kinds of accolades from Washington for our imaginative and innovative proposals-which I could put in my EERs in lieu of achievements. I got praise from the Assistant Administrator for having the best PL 480 Title III proposal ever, but there wasn't any funding available. That was the unfortunate part about downsizing. We had a hard working committed staff. We had some excellent programs. We were effective in reaching low income people and raising standards of living, in attracting new investment and creating new jobs, in reducing infant mortality. But nobody seemed to care in Washington; the budget was cut so severely that our arguments just fell on deaf ears. One year for the country submission, I put together an analysis of how many people didn't benefit because of the cuts we had to take. This many people didn't get farmer to market access roads, this many didn't get jobs; this many didn't get credit; this many didn't get health services. I think we calculated something like 60,000 people would suffer because of AID/W cuts in our budget the previous year. Well, nobody cared. They said, "That's too bad." There was no argument one could make on development terms that would do any good. The bottom line was: we had lost our political priority. Honduras was not an unpopular country in Washington, and they had some friends on the Hill. Senator Leahy came down for a visit and to receive an award from the Honduran President. Leahy said what a wonderful country Honduras was, but he also said, "You know these are tough times, and I really can't do much for you."

Q: What did you end up doing with the 25 million? What kind of strategy would you follow when there is such limited resources?

BROWN: Well, the last year was complicated by the re-engineering insanity, which I fortunately was disengaging from. I turned over re-engineering to my Deputy and successor, Elena Brinnerman. I said, "You handle re-engineering. I'm going to manage what we have left."

We had been trying to put Honduras on a self-sustaining growth path and to improve the well being and incomes of the lower income groups. We had adopted four strategic

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objectives, and even though the program had been slimmed-down, we still pursued the same four objectives: raising incomes; protecting the environment; improving health; and promoting democracy. It was a condensation of our much larger program. With respect to increasing incomes, we had a highly successful small business program that had created 30,000 jobs over a period of years, and three quarters of the borrowers were women. We were assisting NGOs, cooperatives and other small farmer associations in producing and marketing nontraditional agricultural exports crops. We were assisting the government in the implementation of its far-reaching Agricultural Modernization Law, which involved the removal of price and trade controls, land titling, privatization of storage, and privatizing extension and rural credit services, among other things. AID had been instrumental in the drafting of this law, and I had used my ESF assistance my first year in Honduras to negotiate its adoption by the government. Because of our deep involvement in agriculture policy and the agriculture policy team we had created within the ministry, the World Bank had asked us to provide the technical and analytic base for their joint \$110 million agriculture sector loan with the IDB. That may have been a first for the World Bank. It certainly recognized our preeminence in the sector. Our primary education project had produced sharp increases in enrollments and graduation rates and similar decreases in drop out and repetition rates.

In the environmental area, we had a large program to develop sustainable forest management, including timber auctions at market prices; and we were carrying out a program to promote sustainable cultivation practices among the thousands of small farmers who farmed hillsides. We also launched two new programs: a program with the government to manage and protect the nation's nature reserve and park areas, and an endowment for a private environmental foundation to make grants to NGOs working to preserve the environment, as well as to enable them to become a major interest group or lobbyist for the protection of the environment within the private sector. In the health area, we had an ongoing Health Sector Program which had achieved significant decreases in infant mortality, giving low income Honduras a lower rate than all the other Central

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American countries, excepting Costa Rica. Our efforts in support of child vaccinations gave Honduras the best record of all the countries. In family planning we were making steady progress in the use of contraceptives. Working primarily through NGOs we had provided more than 250,000 rural dwellers with safe drinking water, through locally managed sustainable systems. Strengthening democracy and the justice system was also a major component. We had a great development program, and I'm sure at least three-quarters of it was a result of the work of my marvelous predecessor, John Sanbrailo. No one I knew in AID ever worked harder or more successfully or was more committed to achieving AID's objectives than John. Economic development was his passion-even after AID's current small-minded and vindictive leadership involuntarily retired him because they mistakenly thought he was a "closet Republican." A tremendous loss for the agency. John had an extraordinary conceptual ability, a love of the Latin culture-he is married to an Ecuadorian, and a talent for persuading his Latin counterparts to undertake the innovative new approaches to problems that he was forever coming up with. Nevertheless, I had to cut this very effective program he had conceived in Honduras. I cut the last third of a highly successful rural roads program. I cut the Hillside Land Use project in half, down to about \$18 million. Among others, I terminated a very successful investment promotion project. And among others I terminated two projects which needed termination-a central bank assistance program which was not achieving its objectives and a private agribusiness assistance activity which had been taken over by corrupt leaders. Just about everything else was slimmed down, to a greater or lesser degree.

Q: What were you trying to do in the democracy and justice area?

BROWN: Well, I had inherited a large, overambitious program which I was very skeptical of when I arrived. I suspect it was the result of a Washington mandate in support of democracy combined with over-enthusiasm in the mission. The program had been designed by generalists who, following the then-conventional wisdom, thought the problems in the justice and legislative areas could be solve by strengthening the administration or management of the institutions involved. This particularly was the view

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of the generalist who was the democratic initiatives office director. It was a naive premise, and they were wrong. The fundamental problem of the justice system was corruption, not inefficiency. The basic problem of the legislature was that the representatives did not really take their responsibilities seriously. For the most part they were venal politicians out for what they could get for themselves. We completed the construction, equipping and staffing of a Congressional Reference Center, which had been undertaken naively thinking that lack of solid analysis was the key impediment to better legislation. After it was turned over to the legislature, the specialized research staff we had trained was replaced by political loyalists, and it became little more than a toy for the president of the legislature. However, after replacing the AID office director for democratic initiatives, and substantially changing the focus of the program, by the time I left Honduras I was of the opinion that it was probably our most significant program. We specifically refocused the program on combating corruption in the judicial system and on strengthening municipal governments. With regard to the justice system, we targeted four essential objectives: Depoliticizing the courts and requiring the merit selection of judges; adoption of a new criminal procedures code; developing an effective Inspector General overseeing judicial decisions; and active prosecution by the new Public Ministry of criminal and corruption cases.

We benefitted enormously from the appointment by President Reina of a responsible politician-judge to be the new president of the Supreme Court, and the appointment of one of the few truly honest Hondurans as the new Public Prosecutor. Without their commitment and support, our effort would have had no chance of success.

The other essential ingredient that made our success possible was an extraordinary leader-manager-political operative named Mario Pita. Mario played a unique role in that he was both the AID office director and a kind of behind-the-scenes operator guiding and motivating the key Honduran players. Mario was a Cuban-American who had worked all of his career for Peter Kimm in the Latin America Housing Guarantee Program. He was trained as a lawyer in Cuba and was a strategic and conceptual thinker. He had been managing the mission's Municipal Development Project, and after watching him for a year

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I decided to merge the municipal program with the democratic initiative and put him in charge of both.

Mario had a remarkable feel for municipal development and grass roots democracy and how to promote it. He was a very articulate, forceful leader, and Spanish was his first language. He identified the best local identified Honduran leaders and put the resources of our project behind them. But he also required performance. The mayors had to improve the budgeting and accounting of the municipality; hold regular town meetings-which was a first in Honduras-to get feedback from their constituents on priorities and on how the budget should be spent; increase the proportion of the budget going to investments rather than salary costs; and improve the quality and coverage of municipal services. To augment our project resources, we also had a large amount of local currency counterpart from ESF assistance which we allocated to water and sewerage and other infrastructure improvements in the towns which met the performance criteria. Our carrot was good-sized, but so was our stick. A couple of the majors turned out to have other agendas; and after trying to bring them back in line, Mario dropped them from the program and added new towns with honest mayors. I used to enjoy visiting some of these municipalities with Mario, to see him in action and to see the results we were getting. And in my view, we couldn't have done it without him. It was the force of his personality; his experience; his insight into the politics, and his vision and leadership ability that made it all happen. To this day, Honduras is recognized as having the best in municipal development program in Central America, despite the handicap of having to work in one of the least developed of the Central American countries.

Q: This development was institutional or physical infrastructure?

BROWN: It was both. We had the best municipal development law in Latin America, designed by and strongly supported by AID during my predecessor's tour; and we had another law which we actively supported which provided for the separate elections of mayors, so that the political party leaders could not just designate the candidates at the

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local level. Secretly, both major parties opposed this proposed law, but Mario worked behind-the-scenes helping to organize the media campaign of the Mayors' Association-a group he had revitalized-in support of the law. The campaign, which involved a number of public interest group, was so successful that ultimately the Honduran legislature passed the law. This had a significant effect on the development of grass roots political leaders, as opposed to loyal hacks named by party leaders. No longer were local politicians beholden to the party leaders; their power came from the people who elected them. Led by the Association of Mayors, they had become a national force in the country, arguing with the President about power sharing and other issues. This is a radical change from the past. The President of the country now sits down with the mayors annually to discuss their agenda. This is all due to Mario Pita's ingenious plan.

Mario had arranged for the Mayors' Association to sponsor the first ever meeting of all the mayors in Tegucigalpa, the capital of the country. I was on the program as a speaker at the national theater. When then-President Callejas heard about the meeting and realized that all the mayors would be there, he told the Association, "I want to speak to them." So he was added to the program as the keynote speaker. But the President had fallen into Mario's trap; he had entered into a dialogue with the assembled mayors, and they demanded that it continue. He, of course, couldn't refuse, and so the process was institutionalized. The President meets the assembled mayors every year.

When Mario took over the Democratic Initiatives office, he renegotiated the program with the president of the Supreme Court and negotiated performance bench marks or targets for our new program with the newly-created Public Prosecutor's office. We financed the training of the highly qualified, specialized staff of new prosecutors which were hired. Just as in the case with the municipalities, our continued assistance would depends on performance on their part-in terms of cleaning up and depoliticizing the judicial system and in actively prosecuting corruption. You need to understand that traditionally justice was only available to the wealthy; they simply paid for the verdict they wanted. If you couldn't

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pay, you would in all likelihood lose. Most of the judges were beholden to the two political parties, so party members were also taken care of,

The new president of the Supreme Court, a cautious but decent man, agreed that this should change. With our support the Court began replacing unqualified and corrupt judges with honest trained judges. Mario worked out a quiet deal between the Court and the Public Prosecutor to create a group of special prosecutors and judges to handle high profile cases of corruption which people had been afraid to touch. We financed staff support, equipment and office space. When they started going after some big fish, this created a shock wave in Tegucigalpa. The Public Prosecutor began to get death threats. With the Embassy's help we got his children in school in the US. The new Public Prosecutor, Edmundo Orellana, was a rabid reform monger-a rare Honduran breed-who wanted to go after human rights abusers, many of whom were in the military, and after corrupt judges. In a reasonably short period of time there had been a sea change in the justice system. Impunity for the wealthy and the powerful was no longer the case. The military were no longer above the law. An inspector general was examining decisions for evidence of corruption. And judges were being dismissed for cause, and sometimes prosecuted for corruption. Judges were being hired on merit rather than political patronage. Obviously, they still had a long way to go, but there had been a dramatic break with the past, and the pervasive corruption which has plagued the country is no longer seen as acceptable.

The success is largely the result of the commitment and zeal of the Public Prosecutor and the guidance, insight and moral and financial support provided by Mario Pita. It was Mario's idea to create the special courts with the best judges and link them with the best prosecutors, all funded quietly by AID. The president of the Court and the Public Prosecutor made it work. We also funded training for judges and prosecutors. Mario also brought in legal experts from other Latin countries to point out the need for a new criminal procedures code and penal code, and mobilized support among opinion leaders for the new laws. I believe that both Mario Pita and Edmundo Orellana were essential to

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what was achieved. Without either one, the other could not have achieved what they did working together. To me, this is a case of two unique individuals, two unique personalities with commitment, drive and vision, having a tangible impact on history. What we did in Honduras could be written up as a model for another country, but it would be very difficult to replicate. What made it work were these two remarkable people working together toward a shared objective.

Q: Anything else about your Honduran experience that you want to add?

BROWN: In my last two years I missed being a major player, being able to use ESF assistance in a policy dialogue to bring about policy change to promote growth. That was what I found to be the most satisfying and exciting part of the job-negotiating to make significant structural changes in a country-changes that were judged meaningful to the country's future progress and well-being. I was able to do some things in my first two years, when I had about \$40 million of ESF, but in the last two years we had no ESF, and a sharply declining DA budget.

There is one other thing I should mention, my efforts to strengthening the pluralism within Honduras, a country dominated historically by the central government, and the military. I placed a particular emphasis on creating or strengthening a network of nongovernment, not-for-profit institutions in the private sector to act as advocacy or interest groups, and to pressure and challenge the national government. We strengthened agricultural producer groups, cooperatives, small enterprise foundations and a major investment promotion and policy analysis organization. We endowed a new national environment foundation to raise environmental awareness and to make grants to other private environmental groups; we revitalized the Association of Mayors and turned them into a major player in the national political arena; we created a nonprofit technical advisory group to assist municipalities improve management of resources and services-a group the IDB and World Bank have both hired to assist them in urban programs. And we endowed a foundation for development and democracy, founded by the visionary former Honduran Ambassador

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in Washington, Jorge Ramon Hernandez-Alcerro. Jorge Ramon was without question the most impressive Honduran I met in my four years in the country. He would make an extraordinary president of Honduras. If there were just a major political party who wanted a selfless, visionary statesman for its candidate. In any case, he pulled together a group of the best and the brightest from the Honduran private sector, people who were honest, who cared about their society and where it was going, were concerned about corruption and abuse, and about strengthening the country's democratic base. When I left Honduras they were evolving into a combination think tank and political advocacy group, one which sponsored conferences on judicial reform and which spoke out publicly against corruption and civil and human rights abuses by the police and military. So I left behind a series of nongovernment institutions led by reasonably honest people who cared about the future of their country, and wanted make it a better place to live. Hopefully, these groups will endure and become positive influences on the direction and evolution of Honduran society. A small but, I hope, significant step on behalf of pluralism.

Q: Good. So you finished up there and went where?

BROWN: In June of 1995, at the age of fifty-five I was involuntarily retired. And left with mixed feelings. On the one hand, I was at the peak of my career, ready for another challenging assignment. On the other hand, between the negative Congressional climate for AID, the lack of budget and awful political appointees who were tearing AID apart, it was probably a good time for me to leave. I know I would not have prospered in that environment. You have an administrator who has abdicated his basic policy-making and political budgetary responsibilities to an unqualified management junkie, and who has essentially limited himself to working the Hill. Admittedly the latter is a vital function, but it is only one of several vital functions that any administrator has to perform. The management junkie is, of course, the infamous Larry Byrne, who I would argue has done more damage to AID than any political appointee in AID's history. Byrne, whose power base was apparently his wife, a one term congresswoman-"friend of Hillary's," thought that all of life's substantive problems had a management solution. The fact he was in over his

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head in policy or substantive terms didn't bother him; his authoritarian, bullying, know-it-all style prevented him from getting below the surface, or hearing an opposing view. He was a certified egomaniac, who cleverly assembled a group of career AID dissidents and misfits to destroy, under his leadership, the agency's working systems and replace them with his "re-engineered" new management system, where almost nothing works and morale has plummeted to an all time low. And Byrne spent an enormous amount of money to achieve this. I think it has been disgraceful. Feckless AID Administrator Atwood, who abdicated his basic responsibilities and let this disaster happen, should be held accountable-but probably won't be.

Concluding observations on AID and international development programs

Q: Well, overall this has been excellent coverage of your career . Let's just step back a little bit for some last comments. How would you characterize, in looking over all your experience, the key things that are necessary to have programs work, effective projects? Not in detail, but some of the key characteristics you would pick out?

BROWN: I think the key element is capability and commitment of the host country leadership in the area you are going to work in. If it is not there, you can't just manufacture it. You assess whether that element is present, of course, as part of the project analysis-what we called feasibility analysis back in the days of infrastructure projects. Some of my colleagues whom I respect would probably disagree with me, but too often directors or project advocates fall in love with a concept or approach and think that over time they can persuade the host country to buy into it. They might argue that it's AID job to pioneer new concepts and approaches and you can't wait for the capability and commitment, or we would never get anything new underway. I disagree. I would use the analogy of a plant. For a seed to sprout and mature into a plant, it has to be planted in suitable soil, supported by favorable environmental conditions. No matter how wondrous the seed, it will not prosper in a parched desert. The same is true for projects. A wonderful project design in a high priority sector still requires a favorable host country environment-receptivity,

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understanding and political support. Clearly, capability and commitment can be strengthened as part of the project, but you have to identify in advance that you have the necessary political support or commitment to make the project work. That means a shared vision with the host country leaders. And it is essential that the host country competence be present to manage the undertaking once it is up and running. I think where we have failed sometimes it is because a mission had a Congressional or agency mandate to do a project in certain sector, or to do a particular kind of project to meet some kind of programming earmark. You may develop a good project, but if the host country is not interested in the new approach, not prepared to overcome the political opposition, not willing to champion the concept, it is almost certain to fail. Similarly, if the host country is not capable of managing and sustaining the activity once it is completed, you may well have wasted the money. It is a judgment call whether sufficient commitment and capability are present, but too often I believe a director's desire to leave his or her mark with an exciting new undertaking may unduly influence the judgment.

Q: And that is the key. Any other dimensions?

BROWN: Well, you can strengthen and increase capability through training, but you cannot change cultural barriers. Take the case of maintenance in Egypt. That was an intractable problem, particularly in the water and wastewater sector. We would bring in US technical assistance, train the Egyptian staff thoroughly in maintenance theory and practice during the construction of the project. My predecessors found that after about two to three years the plants were shutting down due to lack of maintenance. The only way to protect the US investment turned out to be hiring a US firm to supervise maintenance for five years following completion. At the operating level you were dealing with rather backward people; and at the managerial level you had a lack of concern or indifference. The magic of the five years was to give the current AID director time to get out of the country before the maintenance problem shut down the plant. I did not have a better solution, and as I said, the minister in charge of this sector was not subject to removal. Basically, maintenance was a foreign concept. When something was old or broken, they

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just threw it by the side of the road and said, "Give me a new one." They didn't have a concept of maintaining machinery. There was no maintenance engineering field. They didn't see why you had to oil machinery periodically. Our contract engineers put charts up on the walls indicating when and where to lubricate which machine. The charts just collected dust, unless the US consultant assured the work was done. It was a troublesome cultural problem.

Q: You found that also true in Latin America?

BROWN: Much less so, though I wouldn't say that maintenance was next to Godliness in Latin America. There it was less of a problem because, excepting Haiti, the Latin societies weren't as backward as Egypt. The countries had a much stronger human resource base, at all levels.

Q: In a more general sense, what is your view of the effectiveness of foreign assistance over the years-particularly the years you've been working in it? Has it made a difference or has it been marginal?

BROWN: I think where we have massed resources in a given country or against a given set of objectives, we've been very successful. The success of the Central America Initiative, including economic stabilization and revitalization plus socioeconomic progress-despite its premature termination. Our program in Brazil. The modernization we helped to bring about in Bolivia. Certain parts of the Egypt program. Our small enterprise programs in Latin America and elsewhere. Our work in child survival or family planning around the world. The transfer of technology, creation of new, cost-effective approaches and new institutions in the private sector to attack development problems. We have a lot of very positive results to show.

Foreign aid policy tends to go in cycles, and during those periods when economic policy reform was not in vogue-such as the New Directions era under Carter, we were limited to working on the human side of development. We need to work on both aspects of

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development: promoting sound policies to promote economic growth, which in itself helps to reduce poverty through increased employment and incomes, and increased revenue for government; and targeting social investments on education, health and small farmer agriculture and enterprise. We were able to do both under the Central America Initiative, and we got results. On a related topic, too often we have handicapped ourselves by not giving sufficient attention to systematic marketing of our success stories. And here I don't mean publishing scholarly evaluations; I mean publicizing good results, the kind of thing a congressman can relate to and understand.

I believe we have lacked a marketing or public relations mentality-except for Jay Morris who, unfortunately, was so superficial and insincere that his public relations efforts seemed to be discounted on the Hill. We have been an agency obsessed with self-criticism. We never did enough, never reached poor enough people. We were never satisfied with the results. We had too many "truth seekers" always devising new and better programming system to link every AID activity to some transcendental goal, always in search of a better evaluation system to demonstrate how our projects failed to meet some arbitrary and unrealistic set of predetermined targets I think AID has attracted too many "truth seekers," liberal ideologues, and frustrated scholars and social scientists who were never satisfied with the performance of the AID "lab rats," better known as field staff. People who had a hard time understanding why our projects fell short of perfection. Too many of these people ended up in PPC, in the DP offices and in charge of evaluation. They helped the poor by devising highly complex and time-consuming programming systems that forced missions into a fantasy world of interconnecting linkages and indicators. The current system is an embarrassment to try to describe to an outsider.

Congress, the source of AID's life blood, is a totally political entity by definition. They know how to appeal to the American people; that's how they got elected. If a congressman were going to explain to his constituents why he is supporting AID, he, or she, needs some short but significant success stories of human interest, of helping poor people, of transferring US technologies-but not exporting jobs of course. They don't need scholarly and scientific

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evaluations pointing out how AID failed to reach its original indicators-which may well not have been relevant or reasonable in the first place. If a congressman who opposes foreign aid looks at one of those evaluations, all of his suspicions are confirmed-courtesy of AID's corps of "truth seekers." From my experience, I would argue that the typical congressman wants to see how we are helping people, improving lives, creating new opportunities. They like anecdotal human interest stories, sound bites they can use back home. They don't care how elegant our programming system is or how rigorous and scientific our evaluation system is, they are interested in what we did for the people in Honduras or Ethiopia or South Africa. They don't care about intercountry comparisons by sector, they want to hear about how we used the money they have us to get some positive results.

I think we spent too much time trying to perfect our internal methodologies and not enough selling ourselves externally-where we should have been emphasizing the many successes we've had. These two activities are not mutually incompatible. But AID's prevailing mentality gave primary importance to the former, and in the process, undercut the latter. We should have followed the World Bank's approach. They produced and publicized a great deal of material on how they were helping the world's poor, which quietly devoting the bulk of their resources to infrastructure projects. They also had a reasonable good evaluation system, but they were careful not to broadcast negative results. Obviously at the top of the Bank there are a few politically astute thinkers, as well as good economists and social scientists. It's too bad AID never learned that organizational survival lesson from the Bank.

And then the IG comes along and takes a few examples of missed indicators and exaggerates them into examples of waste and inefficiency; and the media picks up the story and we get trashed. And so our image is one of a bunch of incompetents, wasting the taxpayers' funds. Whereas I believe we have always been the leader among the major development agencies-ahead of the World Bank and the IDB-innovating new approaches, new activities, new ways to attack a sector. We have traditionally been the first one to get into a new area, whether it was sector programs in agriculture, education and health;

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the environment; small enterprise; democracy; improving the justice system; or family planning. We were always there first. And frequently the two banks would come along and piggyback on what we had done, copy our model and put more money into the program. Unfortunately, AID never got any recognition for that.

Q: Good point.

BROWN: The World Bank puts out slick propaganda pieces saying they were the world leaders. They weren't. In almost any sector, they were several years behind us, time after time. The first time I saw it was in Brazil in the mid-60s, they came in behind us in the education and health sectors, and put money into both programs utilizing the structures we had put in place. Developmentally it made perfect sense, but they would never have developed the approach if we hadn't been there. They used our model and ran their money through it. This is largely an untold story.

Q: We were pioneers?

BROWN: Absolutely. In every sector we've been the first ones in there with new approaches on how to get results in the environment or in democratic initiatives or in improving the justice system or strengthening municipal government. Increasingly in recent years, I have seen AID in effect squeezed out of a sector as one or both banks come in and basically take over and expand funding for our program. AID has received little if any credit for its pioneering role in development around the world.

Q: But you talked about whether it had an impact on people. What was your feeling about this ..did it really change lives of poor populations, do you think?

BROWN: Well, in my experience, when we targeted a project on a given group, it worked. We raised their incomes, improved their health or education, increased their opportunities. We improved lives. What's important, however, in my view is that you create a system, mechanism, institution or technological or financial approach that replicates this benefit

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for an increasing number of people over time. Our best projects are those that enhance or expand a country's capacity to improve the lives of an increasing number of its citizens — not just reaching the poorest of the poor with a one time AID hand out. Sometimes requiring that such a new institution focus exclusively on the very poorest at the beginning can unreasonably hinder its successful operation.

But looking beyond government programs, I believe one of the most important things we have done to help poor people is to stimulate new private investment, to create new and better paying jobs, to open up new opportunities. In Honduras, in addition to supporting policy reforms needed to attract new investment, we also directly helped to develop the export shrimp industry and the garment assembly industry. Our success story in creating new jobs in garment assembly was attacked by US labor prior to the election of President Clinton for exporting US jobs. Any impact we had on the US was minuscule, but in Honduras we were creating thousands of new, better paying jobs. The industry was providing jobs for women-and subsequently for men when they ran out of women-much better paying jobs than they had. A lot of them formerly were maids. Many had been living in rural areas with no jobs, some had been prostitutes-though that was pretty well paying so we didn't attract too many from that profession. By the time I left Honduras the new investment in this garment industry had had a significant impact on employment on the north coast of Honduras and had also created backward and forward linkages to other industries. There were all kinds of positive impacts that resulted from this new sector of industrial activity. When you have the good fortune to have an ESF stabilization program, you can negotiate a set of economic policies and incentives that make it attractive for private investment capital. That means new jobs, better incomes, new skills and technologies and more revenue for government social programs. The whole country benefits. That's what a good policy-based ESF program could do.

Q: Any other general points you want to make at this point in time?

BROWN: I think I have said all that I have to say.

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Q: *Well, it is a terrific interview. I appreciate the time.*

End of interview